

Build NYC Resource Corporation Finance Committee Discussion

The Finance Committee convened on June 8th, 2018 to discuss the following projects:

- 1005 Intervale Avenue LLC and Bronx Lighthouse Charter School
- Blue School Real Estate, LLC and Blue School
- Friends of The American Dream Charter School Inc.
- Friends of Hebrew Public Borrower, LLC
- New Dawn Charter High School
- Xaverian High School & Ryken Educational Center

Finance Committee Members: Barry Dinerstein and Andrea Feirstein

Build NYC Staff Members: Kyle Brandon, Nicholas Lyos, Emily Marcus, Krishna Omolade, Jenny Osman.

Start: 11:30 AM

End: 12:30 PM

1005 Intervale Avenue LLC and Bronx Lighthouse Charter School

1005 Intervale Avenue LLC (“1005 Intervale”), a New York limited liability company and Bronx Lighthouse Charter School (“the School”), a New York not-for-profit education corporation authorized as a charter school by the Board of Regents of the University of the State of New York for and on behalf of the New York State Education Department and exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), currently operating a public charter school. In June 2011, the School acquired, renovated, improved and equipped an approximately 30,000 square foot building on an approximately 9,300 square foot parcel of land (the “Facility”) located at 1005 Intervale Avenue in the Morrisania neighborhood of the Bronx with the proceeds of a New Markets Tax Credit financing (the “NMTC Financing”). The School is seeking approximately \$12,000,000 in tax-exempt and taxable revenue bonds (the “Bonds”), the proceeds of which will be used to: (1) refinance the NMTC Financing that was used to finance the acquisition, renovation, improvement and equipping of the Facility; and (2) cover certain ancillary costs related thereto; and (3) fund costs related to the issuance of the bonds. 1005 Intervale will own the Facility, and the School operates the Facility as a public charter school providing educational services for students in grades 9 through 12. The sole member of 1005 Intervale will initially be the School. Bronx Support Corporation, a New York not-for-profit corporation, is expected to become the sole member of 1005 Intervale, after such time, and in the event that it is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code.

Ms. Feirstein asked for more information about the NMTC Financing.

Staff responded that the NMTC Financing is a federal program that facilitates financing of real estate projects. As part of the NMTC Financing the School had a taxable loan that was used to finance a portion of the project and the proceeds of the Bonds would be used to refinance this loan.

Mr. Dinerstein asked why there was a Taxable issuance.

Mr. Brandon responded that the taxable issue is to cover costs of issuance that aren't eligible to be financed with tax exempt bond. If costs of issuance add up to more than 2% of the total tax exempt bond amount, then the excess must be paid for using a taxable issuance.

The committee recommended the Project to seek authorization at the June 12th Board meeting.

Blue School Real Estate, LLC and Blue School

Blue School, a New York not-for-profit education corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (the "School") and Blue School Real Estate, LLC, a New York limited liability company, the sole member of which is the School (the "LLC" and, together with the School, the "Applicant"), are seeking \$4,200,000 in tax-exempt revenue bonds (the "Additional Bonds"). Proceeds from the Additional Bonds will be used to fund: (i) costs of the construction, renovation and equipping of two commercial condominium units encompassing approximately 29,000 square feet of space (the "Acquired Facility") in an approximately 191,000 square foot building located at 156 William Street, New York, New York (the "Building"), as well as 12,000 square feet of the ground floor of such Building which is leased by the LLC (the "Leased Facility"; and, together with the Acquired Facility, the "Facility"); (ii) projected capital improvements including upgrades to fire safety systems, purchasing of additional furniture and equipment, and other capital improvements for the Facility; (iii) the Applicant's share of capital improvements to the Building, including façade and roof repairs, replacement of the Building's chiller and electrical systems, elevator modernization, fire safety systems, and hook-ups for water and sewer services (iv) a debt service reserve fund; and (v) certain costs associated with the issuance of the Additional Bonds. The Facility is owned and/or leased by the LLC and will be operated by the School as an independent co-educational day school for students age 2 through grade 8.

Ms. Feirstein asked why the Additional Bonds will be issued in two series.

Mr. Lyos responded that there will be a tax-exempt and taxable series of bonds with the proceeds of the taxable series to be used to pay for costs of issuance that could not be financed with tax-exempt bond proceeds.

Mr. Dinerstein asked how much the previous issuance was for, and if the School has started to pay debt service on the previous issuance.

Mr. Lyos responded that the previous issuance was for \$51,000,000 and that debt service doesn't begin until 2023.

Ms. Feirstein asked for information about the amount of funds that the School would raise through a capital campaign.

Staff responded that additional information would be provided on the amount of funds that the School would raise through a capital campaign.

Ms. Feirstein asked how 'free cash for new debt' was calculated.

Mr. Lyos responded that 'free cash for new debt' is a reflected of the expected cash flow after project completion in 2023 and is based upon projected enrollment growth that will occur as a result of the project.

The committee requested that Staff provide additional information prior to recommending for authorization at the June 12th board meeting.

Friends of The American Dream Charter School Inc.

Friends of The American Dream Charter School Inc. ("FOADS"), a New York not-for-profit corporation, and its affiliate, The American Dream School ("ADS") a New York not-for-profit education corporation exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended, currently operating a public charter school (jointly, the "School"). The School is seeking approximately \$27,000,000 in tax-exempt and taxable revenue bonds (the "Bonds"). Proceeds of the Bonds will be used, as part of a plan of financing, to finance and refinance the costs of: (1) the acquisition of an approximately 8,497 square-foot parcel of land located at 700 Gerard Avenue, Bronx, New York; (2) the demolition of a parking lot located thereon; (3) the design, construction, furnishing and equipping of an approximately 33,173 square-foot, five-story building located thereon for general classroom and administrative use, together with related site improvements (the "Facility"); (4) any required debt service reserve fund; (5) any required capitalized interest during the construction period; and (6) issuance of the Bonds (the "Project"). FOADS will lease the Facility to ADS to be operated by ADS as a public charter school providing educational services to students in grades 9 through 12.

Mr. Dinerstein asked if any students had graduated from the School yet.

Ms. Marcus responded that no students have graduated yet.

Mr. Dinerstein mentioned that a subway line is under the project location and asked if this would increase the cost of the project.

Ms. Marcus responded that all existing conditions were taken into account when estimating the cost of the project.

Ms. Feirstein asked why the interest rate was higher than average.

Ms. Marcus responded that the interest rate was higher than normal due to the School being opened relatively recently.

The committee recommended the Project to seek authorization at the June 12th Board meeting.

Friends of Hebrew Public Borrower, LLC

Friends of Hebrew Public Borrower, LLC (the "Borrower"), a Delaware limited liability company that is a disregarded entity for federal tax purposes having as its sole member an entity that is exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), is

seeking approximately \$32,925,000 in tax-exempt and taxable revenue bonds (collectively, the “Bonds”) in one or more series as part of a plan to: (1) acquire an approximately 17,420 square foot parcel of land located at 166 Kings Highway, Brooklyn, New York (the “Land”); (2) demolish the existing improvements located on the Land; (3) construct, furnish and equip an approximately 34,570 square foot building comprised of three above-ground stories for general classroom and administrative use and a cellar with mechanical equipment, together with related site improvements (the “Facility”); and (4) pay capitalized interest and certain costs related to the issuance of the Bonds. The sole member of the Borrower will be Friends of Hebrew Public, Inc. (“Friends”), a New York not-for-profit corporation that is seeking recognition as an organization described in Section 501(c)(3) of the Code, if Friends receives its recognition as an organization described in Section 501(c)(3) of the Code prior to the issuance of the Bonds, or, if Friends does not receive such recognition, National Center for Hebrew Language Charter School Excellence and Development, Inc. (“Hebrew Public”), a Delaware nonstock corporation exempt from federal taxation pursuant to 501(c)(3) of the Code. If Hebrew Public is required to be the sole member of the Borrower, then, at such time as Friends receives its recognition as an organization described in Section 501(c)(3) of the Code, Friends will be substituted for Hebrew Public as the sole member of the Borrower. The Land and the Facility will be owned by the Borrower and leased by the Borrower to Hebrew Language Academy Charter School 2 (“HLA2”), a New York not-for-profit education corporation recognized as an organization described in Section 501(c)(3) of the Code, to be operated as a Hebrew language public charter school providing educational services for students in kindergarten through Grade 5.

Mr. Dinerstein asked if the Series B Bonds are taxable.

Mr. Brandon replied that the Series B Bonds are taxable, and that he will include this information on the presentation.

Mr. Dinerstein asked for information on where other schools operated or managed by Hebrew Public are located.

Mr. Brandon responded that other schools operated or managed by Hebrew Public are located in Mill Basin Brooklyn.

Mr. Dinerstein asked if the school has been successful.

Mr. Brandon responded that the school is new, but there is an extensive student enrollment waiting list, which is indicative of the school’s popularity.

The committee recommended the Project to seek authorization at the June 12th Board meeting.

New Dawn Charter High School

New Dawn Charter High School (the “School”), a New York not-for-profit education corporation authorized as a charter school by the Board of Regents of the University of the State of New York for and on behalf of the New York State Education Department and exempt from federal taxation pursuant to section 501(c)(3) of the Internal Revenue Code of 1986, as amended, is seeking approximately \$19,010,000 in tax-exempt revenue bonds (the “Bonds”). Proceeds from the Bonds, together with funds of the School, will be used to: (1) finance the acquisition and renovation of an approximately 7,500

square foot parcel of land located at 238-242 Hoyt Street, Brooklyn, New York (the “Original Facility”), (2) finance the construction, equipping, and furnishing of an approximately 12,000 square foot addition to the Original Facility (the “Facility”), (3) fund a required debt service reserve fund, and (4) fund costs of issuance of the Bonds. The School will own and operate the Facility as a public charter school for over-aged and under-credited students in grades 9-12.

Mr. Dinerstein asked if the Original Facility would be altered in connection with the project.

Mr. Brandon responded that the project involves updating and renovating the building.

The committee recommended the Project to seek authorization at the June 12th Board meeting.

Xaverian High School & Ryken Educational Center

Xaverian High School is a not-for-profit education corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “School”), and The Ryken Educational Center is a not-for-profit corporation exempt from federal taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Organization”; and, together with the School, the “Applicant”), as borrower. The Applicant is seeking approximately \$6,000,000 in tax-exempt revenue bonds to (i) finance or refinance the construction, renovation, equipping and furnishing of improvements to a 125,250 square foot building on an approximately 94,919 square foot parcel of land located at 7100 Shore Road, Brooklyn, New York in the Bay Ridge section of Brooklyn (the “Facility”); (ii) finance capitalized interest; and (iii) pay for certain costs related to issuance of the bonds. The Facility is owned and will be operated by the School as a co-educational school for grade 6 through grade 12, and the Organization operates a New York State approved and funded program for students with specific learning disabilities at the Facility.

Mr. Dinerstein asked if the project is connected to the previous Build NYC project with Xaverian High School.

Mr. Brandon responded that the project will take place in the same facility as the previous project, but is actually the second phase of the original renovation plan.

Ms. Feirstein asked how what the amount of the previous issuance was.

Mr. Brandon responded that the past project involved a \$15,000,000 issuance.

Ms. Feirstein asked if the second phase of the renovation project was anticipated at the time of the past project.

Mr. Brandon responded that the second phase had always been anticipated.

The committee recommended the Project to seek authorization at the June 12th Board meeting.

Additional information

Blue School

In addition to increasing contributions and donations the school has a debt service reserve fund of approximately \$3.8 million which is the annual debt service payment on the bonds.

Friends of Hebrew Charter School

The Hebrew Charter School network operates a K-6 school in Harlem and a K-8 school in Mill Basin Brooklyn.