



**boysPREP**

**Bronx, NY**

**Enrollment:** 643 students

**Loan Amount:** \$6.5 million

**School Savings:** \$2.6 million



**Equitable  
Facilities  
Fund**

**Friends of Girls Preparatory Charter School, Inc.  
Bronx, New York**

**\$7,029,431 EFF Financing / Closed: July 31, 2020 / Final Maturity: August 1, 2050**

**Obligor Overview**

Public Preparatory Charter School Academies (PPA) is a New York State not-for-profit education corporation with three charters comprising five operating schools—all in New York City. Public Prep’s first school opened in 2005. An additional elementary school (pursuant to a fourth charter contract) has been approved and is scheduled to open in Fall 2020. All PPA schools are managed by the Public Preparatory Network, Inc. (PPN), a non-profit Charter Management Organization formed in 2009 to support PPA. In School Year 2019-2020, PPA had a total of 2,099 students in grades PreK through 8<sup>th</sup>. PPA is the nation’s first non-profit network that exclusively develops single-sex elementary and middle charter schools.

The Loan proceeds were used to refinance loans associated with the facility for Boys Preparatory Charter School of New York (Boys Prep) which is one of the five schools operated by PPA. Opened in 2014 and located in the Bronx, Boys Prep is PPA’s sole school for boys. During School Year 2019-2020, it served 683 students in grades PreK through 6<sup>th</sup>. Its charter authorizes grades Kindergarten through 8<sup>th</sup> with 850 charter school students at stabilization which is projected to be in Fall 2022.

The legal borrower, **Friends of Girls Preparatory Charter School of New York, Inc. (FOGP)**, is a New York not-for-profit corporation. FOGP is an affiliated entity of PPA formed in 2005 to provide support to PPA’s first school, Girls Prep Lower East Side. Despite its name, FOGP is today used exclusively to support the facility at 192 East 151<sup>st</sup> Street, Bronx—the home of Boys Prep, including acting as the transaction borrower and the tenant under the master lease with the private landlord.

The transaction’s legal structure includes a first leasehold mortgage on the Boys Prep facility and a first lien pledge of the Gross Revenues of FOGP (which primary consists of rental income associated with the Boys Prep property). Only the Gross Revenues of Boys Prep can be used to make lease payments to FOGP.

PPA’s mission is “*At Public Prep, Girls Prep, and Boys Prep, scholars are challenged to think and work hard every day. We start early with the end of college completion in mind.*”

*We create a warm and joyful culture of rigor in which scholars build strong character by adopting the core values of community, merit, responsibility, and scholarship. Our scholars master the ability to read, write, listen, speak, create, and think deeply across disciplines, with a particular focus on science, the arts, and math. They work independently and in teams to solve problems collaboratively.*

*Girls Prep or Boys Prep alumni will be resilient young scholars of bold intellect. They will be empathetic leaders, knowledgeable and curious about the world. They will be goal-oriented decision-makers empowered to make choices that will lead to life success.*

*Public Prep is the nation’s first non-profit network that exclusively develops exceptional, tuition-free PreK and single-sex elementary and middle public schools. We are determined to graduate 8th grade scholars who thrive in “right-fit,” high-performing public, private, or parochial high schools, and ultimately earn a degree, on-time, from a four-year college or university.”*

## **Charter Contract**

Boys Prep operates under a charter provided by the State University of New York’s Charter Schools Institute. Boys Prep’s current charter expires on July 31, 2024.

## **Management & Governance**

PPA is governed by a seven member Board of Trustees. PPN, is governed by an eight member Board, and FOGP is governed by a five member board. These boards have two overlapping members. The PPN Board has an advisory Finance Committee to enhance its operations and provide additional oversight, a Development Committee to assist in fundraising efforts, and is also considering adding an Academic Committee to further analyze achievement data. In addition, PPN assigns board members to individual schools to provide deeper oversight and support.

PPN delivers services such as professional development support, management and operation services, human resources support, development, budgeting, and financial reporting. In exchange for these services, PPN charges a 15% management fee via a contract that aligns with the charter term.

PPA’s senior administrative leadership team comprises personnel with credentialed and relevant experience in academics, operations, and financial administration.

## **Enrollment & Student Information**

Boys Prep’s student count for the past four fiscal years is as follows:

<b>Boys Prep Historical Student Enrollment FY17 – FY20</b>			
<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
254	335	541	683 <sup>1</sup>

<sup>1</sup> Includes 40 Universal PreK students

Since 2005 when PPA opened its first school, the network has held a favorable market position, particularly in the Bronx where most of its schools are located and where most of its students

reside. For the School Year 19-20, Public Prep had approximately 2,100 students in five facilities, i.e., two elementary schools, two middle schools, and one K-8 facility which is the building that is in the subject of this refinancing. An additional girls-only elementary school, Girls Prep Bronx II, is expected to open in Fall 2020.

Long-range plans call for operating six schools under four charters with a student count of approximately 2,600 by 2025. This enrollment projection includes the opening of Girls Prep Bronx II in Fall 2020 that is expected to have 520 students at full enrollment in 2025. Not included in these figures is a potential high school that would serve all rising 9<sup>th</sup> graders from the boys' and girls' middle schools. To minimize risk, the network is in the early stages of developing such a high school solution with other organizations.

For School Year 2019-20, Boys Prep served 683 students with 40 in PK and the balance, 643, in grades K-6 with 92% of students eligible for free and reduced lunch and 99% non-white. In addition, approximately 25% of its student body received special education services. Boys Prep still has two years to expand to its full grade complement with 7<sup>th</sup> grade to be offered in Fall 2020 and 8<sup>th</sup> grade the following year. In Fall 2023, Boys Prep projects it will have 885 students, 805 in K-8 and 80 in Pre-K.

As of December 2019, more than 4,000 families were on the waitlist for Girls Prep Bronx (1,623) and Boys Prep (1,208) schools. Girls Prep Bronx II was granted approval from SUNY for one of the final seven charters available in New York City. As a result, Girls Prep Bronx II will open in September 2020 to expand Public Prep's reach and capacity to develop future female leaders in the Bronx.

PPA also has established a strong pipeline of students as all of its elementary schools now offer PrePrep, a Universal Prekindergarten Program, making PPA the leading provider in the sector, reflecting its commitment to Early Childhood Education.

### **Academic Program & Results**

Boys Prep, and the education corporation generally, has a consistent history of solid academic results. In the latest New York State standardized test results, Boys Prep exceeded the local district average (NYC Community School District 7) as well as the New York City and New York State averages for ELA in all but 4<sup>th</sup> grade. Math scores in 2019 were similar, i.e., Boys Prep exceeded Community District 7 in every grade but 4<sup>th</sup> compared to New York City and New York State averages.

At both the elementary and middle school levels, students engage in a Balanced Literacy approach that builds independence and empowers students to take ownership of their learning and goals. In order to develop well-rounded and empowered readers and writers, the Public Prep Balanced

Literacy program seeks to balance multiple approaches and instructional areas including but not limited to:

- Foundational Skills (Phonemic Awareness, Phonics, Vocabulary Development, Fluency, Developmental Spelling)
- Guided Reading
- Independent Reading
- Close Reading and Response to Literature
- Units of Study
- Habits of Discussion (Speaking and Listening Standards)
- Critical and Inferential Thinking Skills

### **The Project**

Loan proceeds were disbursed to refinance all existing debt associated with the Boys Prep facility's leasehold improvements and pay costs of issuance.

Boys Prep occupies the renovated facility and new addition located at 192 East 151<sup>st</sup> Street in the Bronx. The facility, originally two stories, is now five stories and has a total of 85,000 square feet. The certificate of occupancy for the facility was issued in September 2018. The building's location is ideally located for marketing and attracting students. Given its height, it is highly visible from the nearby subway exit as well as passing Metro North commuter trains. Its prime proximity one block off the Grand Concourse means it can also be seen from the Major Deegan Expressway (New York State Thruway). Thus, the facility would likely be in high demand in the case a replacement school was necessary not only because of its location but also due to the number of Bronx charter schools are located in sub-optimal space.



The facility is leased by FOGP from a private landlord. A sublease is also in place between the FOGP and the PPA. The lease commenced in September 2018 and ends on June 30, 2053. PPA has the right to extend the lease twice thereafter, the first for 10 years through 2063 and a second for four years through 2067.

PPA invested approximately \$4 million of equity (combination of ~\$1 million of philanthropy and \$3 million of cash on hand) for its construction. In addition, school-specific improvements and the build-out of additional space were incurred by the landlord/developer that totaled approximately \$6.7 million. This amount was structured as two embedded loans that are repaid as a portion of lease payments. As a result of this equity, Public Prep has a relatively low rental rate of approximately \$27 per square foot. Annual increases under the master lease with the private landlord are set at the greater of the changes in the Consumer Price Index or 1.5%.

To further control facility costs, PPA is in the process of converting the facility to a condominium ownership structure as the landlord is a for-profit entity and the lease requires the school to pay approximately \$151,000 of real estate taxes. Condominiumizing the facility will exempt the property from ad valorem taxes, thereby saving the school a significant outlay each year. PPA is responsible for all maintenance and repairs to the facility.

Boys Prep is the only Public Prep school currently eligible for generous New York City rental assistance and expected lease payments associated with this facility will be fully covered by rental assistance.

## Financial Information

Certain historical financial information for Boys Prep is listed below. These metrics will be updated periodically and included in EFF’s annual continuing disclosure report.

### Boys Prep Historical Financial Information<sup>1</sup>

Metric	FY17	FY18	FY19
Total Revenue (TR)	\$6,567,632	\$6,155,640	\$12,588,342
Lease Adj. DSC Ratio	N/A	N/A	1.45x
Debt Burden (% of TR) <sup>2</sup>	N/A	N/A	18.2%
Days Cash on Hand <sup>3</sup>	33.1	32.4	15.2

1. Includes Boys Prep and Friends of Girls Prep

2. For fiscal years 17 and 18, there was no debt outstanding. For FY19, Boys Prep facility related loans were the only debt owed by the education corporation. New York City Rental Assistance Program covered total debt service.  
Days Cash on Hand calculation is based on the entire Public Prep education corporation rather than just Boys Prep.

**Rating:** S&P: BB+

**Website:** <https://publicprep.org>

### Security and Loan Covenants

	<b>Security and Loan Covenants</b>
Security	First lien leasehold mortgage on financed facility and first lien on gross revenues of Borrower.
Debt Service Coverage Covenant	Starting with FY21, 1.10x
Additional Bonds Test	1.20x
Liquidity Covenant	For Public Prep Academies, not less than forty-five (45) Days Cash on Hand in the fiscal years ending June 30, 2021 and June 30, 2022, not less than sixty (60) Days Cash on Hand for each fiscal year thereafter.
Academic Covenant	Boys Prep's will have academic results that (i) exceed the average percentage of New York City students proficient in both math and ELA on state assessments; and 2) exceed the average percentage of New York City Community School District #7 students proficient on such state assessments.
Enrollment Covenant	Minimum of 680 students