



DASNY

KATHY HOCHUL
Governor

LISA GOMEZ
Chair

Memorandum

TO: Robert S. Derico, R.A., Director, Office of Environmental Affairs

FROM: Sara E. Stein, A.I.C.P., Senior Environmental Manager

Handwritten initials "SES" in a circle, likely belonging to Sara E. Stein.

DATE: February 13, 2024

RE: *State Environmental Quality Review (SEQR) Determination for New York University's 2024 Commercial Paper Notes – New Money (Independent Colleges and Universities Program) – Kings County and New York County, New York*

Description of Proposed Action and Proposed Project. New York University (“NYU” or the “University”) has requested financing from the Dormitory Authority of the State of New York (“DASNY”) for its *2024 Commercial Paper Notes – New Money* (the “Proposed Project”). Based on a review of the attached *Transaction Report – Single Approval*, dated February 6, 2024, it has been determined that the Proposed Action would involve DASNY’s authorization of the issuance of multiple series of tax-exempt and/or taxable commercial paper notes (the “Notes”) in an amount not to exceed \$250,000,000 at any one time, pursuant to a plan of financing under DASNY’s Independent Colleges and Universities Program.

2024 Commercial Paper Notes – New Money. The proceeds of the Notes are expected to be loaned to NYU to finance or refinance all or a portion of the cost of acquiring, constructing, reconstructing, renovating, equipping or otherwise providing for the Proposed Project, as described below:

- ***John A. Paulson Center at 181 Mercer Street.*** The Notes would be utilized by NYU for the remainder of work to address outstanding change orders and punch list items associated with the newly constructed mixed-use building at 181 Mercer Street (previously referenced as the “Zipper Building”). The new, 23-story building includes a community gathering space, classrooms, a performing arts center, student and faculty housing and study lounges, and an athletic center. The work associated with the construction of 181 Mercer Street was previously reviewed by DASNY within the *SEQR Findings Statement* dated April 9, 2018, and issued in connection with Series 2018 A and B Bonds. While DASNY’s Findings Statement contemplated a much larger group of projects, the continued construction of 181 Mercer Street was part of that review. The Paulson Center is now open and has received LEED gold status, above the University's commitment to achieving LEED Silver status.

- *3 Metrotech ("3MTC")*. The Notes would be utilized by NYU for costs associated with the acquisition and interior renovation of property at 3MTC, which consists of a 10-story, approximately 406,398-gross-square-foot ("gsf") mixed-use building, located adjacent to NYU's Tandon School of Engineering. Current programming for 3MTC, which was acquired by NYU in August 2022, anticipates that ground floor retail would be retained in the retail spaces that currently exist, and the remainder of the building would be renovated as needed for some mix of classrooms, study space, student service space, and administrative and academic office use.
- *400 Lafayette Street*. The Notes would be utilized by NYU for costs associated with the acquisition and interior renovation of property at 400 Lafayette Street, which consists of a 5-story, approximately 118,000-gsf office building located in Manhattan's NOHO neighborhood. Current programming for 400 Lafayette, which was acquired by NYU in April 2023, anticipates that ground floor retail would be retained in the retail spaces that currently exist, and the remainder of the building would be renovated for some mix of administrative and academic office use. The proposed renovation work would consist of the replacement of mechanical systems, façade and roof repairs, reorganizing the core infrastructure including mechanical rooms and restrooms, and reconstruction of interior spaces for specific programs.
- *Chemical Biology Department – Silver Complex at 24-26 Waverly Place, 23-29 Washington Place (aka the Brown Building), 100 Washington Square East (the Silver Building), and 25 West 4th Street*. The Notes would be utilized by NYU for the continued renovation activities and equipping of space to accommodate the technical needs of laboratory sciences, office space, and related infrastructure for laboratory and non-laboratory science use. The work would consist of upgrading building systems, refurbishing office space, and relocating laboratories and classrooms. Several projects under this initiative including infrastructure and renovation work in 24 Waverly and renovation of labs in the Brown Building are substantially complete. Ongoing projects under this initiative include the conversion of administrative space to research labs in the Silver Building (demolition, HVAC infrastructure, plumbing, and electrical work) and the renovation of 25 West 4th Street for lab facilities and science learning spaces. The work associated with the Silver Complex was previously reviewed by DASNY within the *SEQR* Determination dated February 4, 2019, issued in connection with Series 2019 Bonds and within the *SEQR* Determination dated June 21, 2021, in connection with Series 2021 Bonds.
- *Goddard Hall at 79-80 Washington Square East*. The Notes would be utilized by NYU for the continued renovation of Goddard Hall to convert the building from a dormitory to academic space. The interior renovation is under way and actively under construction. The work associated with the Goddard Hall renovation was previously reviewed by DASNY in correspondence with NYU dated November 14, 2022, in connection with Series 2021 Bonds.
- *Tandon School of Engineering at 5 and 6 Metrotech Center and 370 Jay Street*. The Notes would be utilized by NYU for the continued renovation activities at 5 and 6 Metrotech (Rodgers Hall and Jacobs Academic Building), including the installation of a new life safety system, mechanical upgrades, internal renovation, and reconstruction and renovation of labs and renovation of the Civil and Urban Engineering and related research centers. The Notes would also be utilized by NYU for the continued renovation activities and equipping of space (build out) at 370 Jay Street, adjacent to NYU's Metrotech Center. Rodgers Hall and Jacobs Academic Building are located at NYU's Metrotech Campus in Brooklyn. The interior renovation in 5 Metrotech to relocate a robotics lab is now complete. The renovation of two floors in 6 Metrotech to include research labs for the biomedical engineering program is currently underway.

The work associated with the Tandon School of Engineering was previously reviewed by DASNY within the *SEQR* Determination dated June 21, 2021, issued in connection with Series 2021 Bonds, and within the *SEQR* Determination dated February 4, 2019, issued in connection with Series 2019 Bonds, as was the Tandon School's Master Plan, funded under the 2017A and 2017B Bonds and the 2018A and 2018B Bond issues. The building at 370 Jay Street, which houses the Center for Urban Science and Progress ("CUSP") and other programs, was the subject of *SEQR* associated with the Series 2015, 2016 and 2019 bond issues.

About the Institution. NYU is a private, non-profit institution of higher education located in New York City. The University was founded in 1831 and is one of the largest private institutions of higher education in the United States.

The University includes 20 schools, colleges, institutes and programs in eight major locations in the greater New York City area: the Washington Square campus in Greenwich Village; the Institute of Fine Arts at 1 East 78th Street near the Metropolitan Museum of Art; the School of Professional Studies at the Midtown Center at 11 West 42nd Street and the Woolworth Building located at 15 Barclay Street (as well as at Washington Square); the Rory Meyers College of Nursing and the College of Dentistry on First Avenue between East 24th and 26th Streets; the Robert I. Grossman School of Medicine ("Grossman School of Medicine") on First Avenue between East 30th and 34th Streets; the Institute for the Study of the Ancient World at 15 East 84th Street; the downtown Brooklyn area, where the Tandon School of Engineering and the Center for Urban Science and Progress ("CUSP") are located; and the Long Island School of Medicine in Mineola, Long Island.

The network also includes a comprehensive, degree-granting, liberal arts and science university in Abu Dhabi, a comprehensive, degree-granting liberal arts and science campus in Shanghai, and eleven other global academic sites on six continents where students may study away for a semester or more.

The University is also the sole corporate member of NYU Langone Health System (the "Health System"), which is the sole corporate member of NYU Langone Hospitals, formerly known as NYU Hospitals Center. NYU has no responsibility or liability for the indebtedness or other obligations of the Health System. Conversely, the Health System is not responsible or liable for the indebtedness or other obligations of NYU.

SEQR Determination. DASNY completed this environmental review in accordance with the *State Environmental Quality Review Act* ("SEQRA"), codified at Article 8 of the New York *Environmental Conservation Law* ("ECL"), and its implementing regulations, promulgated at Part 617 of Title 6 of the *New York Codes, Rules and Regulations* ("N.Y.C.R.R."), which collectively contain the requirements for the *State Environmental Quality Review* ("SEQR") process.

A majority of the Proposed Projects described herein have previously undergone the appropriate *SEQR* at the time of their initial funding. The continued renovation and deferred maintenance associated with the previously-reviewed projects noted above would involve "maintenance or repair involving no substantial changes in an existing structure or facility," the "replacement, rehabilitation or reconstruction of a structure or facility, in kind, on the same site, including upgrading buildings to meet building, energy, or fire codes," and the "purchase or sale of furnishings, equipment or supplies," which are Type II actions as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(1), 6 N.Y.C.R.R. § 617.5(c)(2), and 6 N.Y.C.R.R. § 617.5(c)(31) of *SEQR*, respectively. Since the previously reviewed projects have not undergone any substantive change since the initial reviews, the reviews

completed for those project components are still valid and deemed to be in compliance with *SEQRA* for the purposes of this loan issuance.

The Proposed Project components not previously reviewed under *SEQR* and discussed herein are the subject of this *SEQR* Type II Determination. These activities associated with the Proposed Project, including the establishment of NYU's *2024 Commercial Paper Notes* financing plan and the reimbursement and renovation of previously acquired properties at 3MTC and 400 Lafayette, would involve the *"maintenance or repair involving no substantial changes in an existing structure or facility,"* the *"replacement, rehabilitation or reconstruction of a structure or facility, in kind, on the same site, including upgrading buildings to meet building, energy, or fire codes,"* the *"routine activities of educational institutions, including expansion of existing facilities by less than 10,000 square feet of gross floor area and school closings, but not changes in use related to such closings,"* the *"refinancing existing debt,"* and the *"purchase or sale of furnishings, equipment or supplies,"* which are Type II actions as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(1), 6 *N.Y.C.R.R.* § 617.5(c)(2), 6 *N.Y.C.R.R.* § 617.5(c)(10), 6 *N.Y.C.R.R.* § 617.5(c)(29), and 6 *N.Y.C.R.R.* § 617.5(c)(31) of *SEQR*, respectively. Type II *"actions have been determined not to have significant impact on the environment or are otherwise precluded from environmental review under Environmental Conservation Law, article 8."* Therefore, no further *SEQR* determination or procedure is required for any component of the Proposed Project identified as Type II.

The Proposed Action was also reviewed in conformance with the *New York State Historic Preservation Act of 1980 ("SHPA")*, especially the implementing regulations of section 14.09 of the *Parks, Recreation and Historic Preservation Law ("PRHPL")*, as well as with the requirements of the Memorandum of Understanding ("MOU"), dated March 18, 1998, between DASNY and the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"). In compliance with Article III, Section 3.0 of the MOU, OPRHP would be notified of the Proposed Project being funded with bond proceeds. It is the opinion of DASNY that the Proposed Action would have no impact on historical or cultural resources in or eligible for inclusion in the National and/or State Registers of Historic Places ("S/NR").

Attachment

cc: Dena T. Amodio, Esq.
David P. Ostrander
SEQR File
OPRHP File



Transaction Report – Single Approval New York University - New York, New York

February 6, 2024

PROGRAM:

Independent Colleges &
Universities

PURPOSE:

Commercial Paper Notes - New
Money

NOT TO EXCEED AMOUNT:

\$250,000,000 outstanding at
any one time

NOT TO EXCEED TERM:

270 days from each issuance, up
to 30 years

INTEREST RATE TYPE:

Fixed Rate Notes

NOTE TAX STATUS:

Tax-Exempt and/or Taxable

SALE TYPE:

Negotiated Offering

RATINGS:

Long-term – Aa2/AA-
Short-term – P-1/A-1 (expected)

SECURITY:

General Obligation

Proposed Commercial Paper Issuance Overview

The Board is being asked to adopt the necessary documents for the issuance of multiple series of tax-exempt and/or taxable commercial paper notes in an amount not to exceed \$250,000,000 at any one time.

Background on Commercial Paper: Commercial paper notes (“CP Notes” or “Notes”) are short-term, promissory notes with maturities of 270 days or less that are issued periodically to finance capital projects and often serve as a bridge to long-term financing. The Notes are offered to investors in denominations of at least \$100,000 and may be issued as tax-exempt or taxable. Interest rates are set when each Note is issued and fixed through the Note maturity. Each Note may be refunded with Notes or long-term bonds. CP Notes are often “rolled” (refunded with proceeds of new Notes) to a new maturity one or more times before ultimately being paid off or refunded with long-term debt. Commercial Paper Notes are supported by a liquidity facility from a credit provider, or by self-liquidity for highly rated borrowers, to pay amounts due at maturity of the Note in the event that refunding Notes or bonds are not available.

NYU intends to finance the capital projects as described in the Financing Details section below using the proceeds from the issuance of CP Notes. CP Notes will provide NYU with an alternative to taxable lines of credit, which the University typically utilizes to finance capital projects in the first instance before refinancing with long-term debt. The interest rate on each CP Note will be fixed to maturity. If the Note is rolled to a new maturity, a new interest rate is set at the time of issuance. Each CP Note maturity will not exceed 270 days and can be rolled for a period of up to 30 years from the date of first issuance. It is expected that the CP Notes will ultimately be refunded with DASNY bonds. NYU has selected up to four dealers to participate in the sale of the Notes. Since the University’s outstanding obligations carry a double-A rating from Moody’s and S&P, the University is expected to act as its own liquidity facility provider to pay the principal and interest on the Notes when due at maturity, if necessary.

Financing Team:

- Dealers – BofA Securities, JP Morgan, RBC Capital Markets, and Wells Fargo
- Co-Bond Counsel – Hawkins Delafield & Wood LLP and McGlashan Law Firm, P.C.
- Dealers’ Counsel – Katten Muchin Rosenman LLP

Purpose:

- Financing the costs associated with various construction, renovation, repair, and replacement projects located at various facilities across the NYU system (up to \$250.0 million outstanding at any one time).

Security:

- It is anticipated that the Loan Agreement will be a general unsecured obligation of the University and no security interest in any revenues or assets of the University will be granted by the University to DASNY under the Loan Agreement.

- The Notes are expected to be assigned a short-term rating of P-1 from Moody's and A-1 from S&P, the highest rating for short-term debt. It is anticipated that the University will act as its own liquidity facility provider to pay the principal and interest on the Notes when due at maturity, if necessary.

Description of the Notes:

- The Notes are a special obligation of DASNY.
- The Loan Agreement is a general obligation of the University.
- The Notes are payable from payments made under the Loan Agreement and all funds and accounts established under the Resolution.

Financing Details:

New Money: Proceeds from the proposed Note issuances may be used to finance, refinance, and/or reimburse the University for costs associated with the following projects; (1) improvements to the Paulson Center located at 181 Mercer Street, (2) renovations to Goddard Hall to convert the dormitory to an academic building, (3) renovations to the Chemical Biology department facilities at various sites, (4) the purchase of a facility at 400 Lafayette Street in Manhattan (5) improvements to facilities located at the University's Brooklyn campus including the Tandon School of Engineering and the Center for Urban Science and Progress, (6) the purchase of 3 Metrotech Center in Brooklyn, and (7) various renovation, repair, and replacement projects located at various facilities across the NYU system.

Note issuances may also be used to finance additional projects not listed above, but previously approved for bond financing through DASNY. DASNY Board approval will be required for any future note issuances to finance projects not listed above and not previously approved for bond financing through DASNY.

Approvals

PACB Approval – February 21, 2024 (anticipated) TEFRA Hearing – To be determined SEQR Filing – February 12, 2024 (anticipated)

Borrower Overview

New York University is a private, non-profit institution of higher education located in New York City. The University was founded in 1831 and is one of the largest private institutions of higher education in the United States.

The University includes 20 schools, colleges, institutes and programs in eight major locations in the greater New York City area: the Washington Square campus in Greenwich Village; the Institute of Fine Arts at 1 East 78th Street near the Metropolitan Museum of Art; the School of Professional Studies at the Midtown Center at 11 West 42nd Street and the Woolworth Building located at 15 Barclay Street (as well as at Washington Square); the Rory Meyers College of Nursing and the College of Dentistry on First Avenue between East 24th and 26th Streets; the Robert I. Grossman School of Medicine ("Grossman School of Medicine") on First Avenue between East 30th and 34th Streets; the Institute for the Study of the Ancient World at 15 East 84th Street; the downtown Brooklyn area, where the Tandon School of Engineering and the Center for Urban Science and Progress (CUSP) are located; and the Long Island School of Medicine in Mineola, Long Island.

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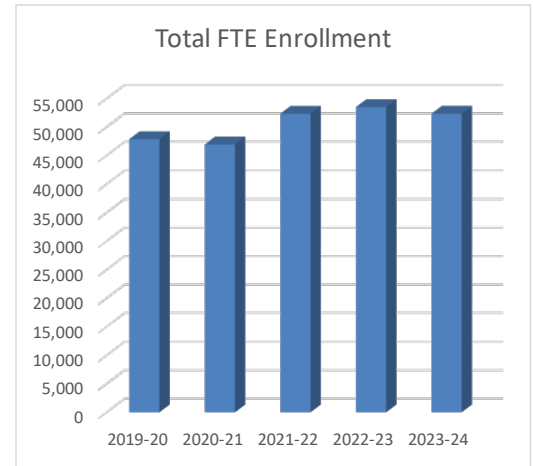
Financing History:

The University has been a client of DASNY since 1963. Over the last 60 years, DASNY has issued 48 separate obligations on behalf of the University totaling over \$7.9 billion. As of December 31, 2023, approximately \$4.0 billion in DASNY debt issued on behalf of New York University remained outstanding. This will be NYU's first issuance of CP Notes through DASNY.

Enrollment:

Selected Enrollment Statistics

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
First-time Freshman Applications Received	79,462	80,210	95,517	100,662	113,578
First-time Freshman Applications Accepted	12,873	16,918	12,380	12,539	10,693
Undergraduate Acceptance Ratio	16.2%	21.1%	13.0%	12.5%	9.4%
First-time Freshman Applicants Enrolled	5,752	5,701	6,097	6,184	5,818
Undergraduate Matriculation Ratio	44.7%	33.7%	49.2%	49.3%	54.4%
Full-Time Equivalent Enrollment					
Undergraduate	26,242	26,384	28,019	28,703	29,048
Graduate	<u>21,631</u>	<u>20,572</u>	<u>24,321</u>	<u>24,792</u>	<u>23,295</u>
Total FTE Enrollment	47,873	46,956	52,340	53,495	52,343

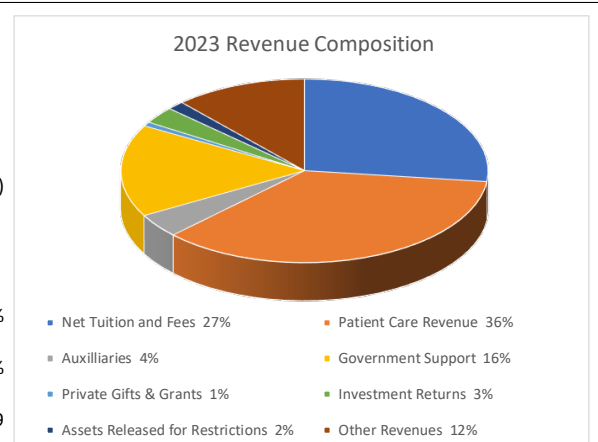


- NYU is one of the largest private higher education institutions in the nation, measured by enrollment. For fall 2023, the University reported total FTE enrollment of 52,343, an increase of 9.3% over five years.
- Despite the impact of the pandemic, demand for the University continued to increase in each fiscal year between fall 2019 and fall 2023. The University received 113,578 applications for first-time full-time freshman, marking the sixteenth year in a row of record applications. NYU’s Undergraduate Acceptance Ratio decreased to 9.4% for fall 2023 while its Matriculation Ratio increased to 54.4%.
- NYU has continued to focus on increasing financial aid to make the University more accessible to students from lower income families. The University recently announced “The NYU Promise,” an affordability/financial aid initiative that will eliminate tuition for families earning less than \$100,000 for students admitted as first-year undergraduates beginning in fall 2024.
- NYU continues to attract international students to its main campus and degree-granting campuses in Abu Dhabi and Shanghai, as well as 11 other global academic sites. International students comprise approximately 25% of total enrollment at the New York campus.

Operations:

Selected Operating Statistics

<i>(dollars in thousands)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total operating revenue	\$7,037,521	\$7,253,159	\$7,577,723	\$8,448,344	\$9,331,666
Total operating expense	<u>7,158,036</u>	<u>7,431,830</u>	<u>7,637,772</u>	<u>8,394,998</u>	<u>9,413,650</u>
Change in net assets from operations	(120,515)	(178,671)	(60,049)	53,346	(81,984)
Total non-operating activities	<u>(165,830)</u>	<u>264,683</u>	<u>454,839</u>	<u>198,440</u>	<u>564,231</u>
Change in unrestricted net assets	(286,345)	86,012	394,790	251,786	482,247
Adjusted Operating Margin (DASNY 2022 Median: 4.3%)	-1.1%	-1.5%	0.4%	1.9%	-0.2%
Adjusted Net Income Margin (DASNY 2022 Median: 3.9%)	-3.4%	2.1%	6.4%	4.2%	5.8%
Annual Debt Service Coverage (DASNY 2022 Median: 2.9:1)	1.8	1.5	1.7	2.2	1.9

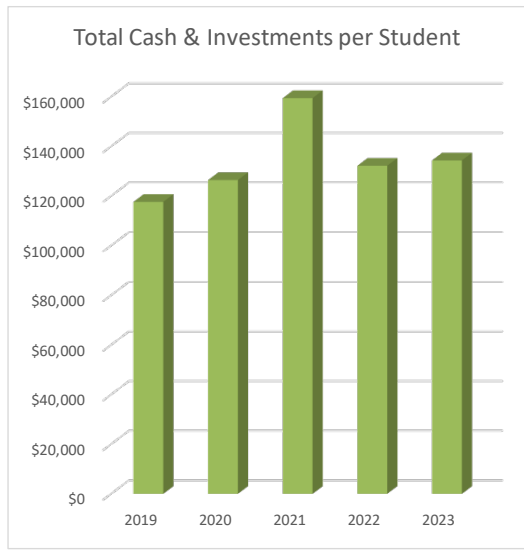


- Operating margins over the last five years have ranged from a surplus of \$53.3 million for fiscal year 2022 to a deficit of \$178.7 million for fiscal year 2020. Recent operating results are driven by increasing depreciation expense related to ongoing capital spending. While the University’s audited financial statements reflect operating losses on an accrual basis in recent years, the University continues to report positive operating margins on a cash basis.

- Operating revenues were aided by federal COVID-19 funds between fiscal years 2020 and 2021. NYU received a total of approximately \$70.9 million in institutional funding through three rounds of the Higher Education Emergency Relief Fund (HEERF).
- The University revenues are diverse, with net tuition and fees accounting for 27% of total revenue for fiscal year 2023. Other revenue sources include patient care revenue from the Schools of Medicine (36%), government grants and contracts (16%), auxiliaries (4%), investment returns (3%), and private gifts and grants (1%).

Balance Sheet:

<u>Selected Financial Position Statistics</u>					
<i>(dollars in thousands)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Assets	\$14,754,425	\$17,380,971	\$19,486,329	\$19,075,766	\$19,957,310
Total Liabilities	8,754,858	11,179,872	11,972,328	11,707,217	11,940,978
Net Assets					
Unrestricted	2,377,587	2,380,969	2,775,759	3,027,545	3,509,792
Temporarily Restricted	0	0	0	0	0
Permanently Restricted	<u>3,621,980</u>	<u>3,820,130</u>	<u>4,738,242</u>	<u>4,341,004</u>	<u>4,506,540</u>
Total Net Assets	\$5,999,567	\$6,201,099	\$7,514,001	\$7,368,549	\$8,016,332
Long-Term Debt	\$5,474,162	\$5,759,815	\$6,412,091	\$6,244,740	\$6,409,159
Total Cash & Investments to Operating Expenses (DASNY 2022 Median: 1.9:1)	0.8	0.8	1.0	0.8	0.8
Total Cash & Investments to Total Debt (DASNY 2022 Median: 2.3:1)	1.0	0.8	0.9	0.9	0.9
Total Cash & Investments per Student	\$117,624	\$126,429	\$159,426	\$132,183	\$134,338



- Total net assets have increased by \$2.02 billion since 2019, reaching \$8.02 billion at fiscal year end 2023, mainly the result of fundraising, positive investment returns, and grant awards. NYU’s unrestricted net assets have increased by 48% over five years.
- At fiscal year end 2023, NYU reported cash and short-term investment balances totaling \$1.30 billion. The University also maintains \$800 million in committed bank credit lines. NYU typically utilizes its credit lines to finance ongoing capital expenditures and then refinances the amounts drawn at a later date using long-term bond financing.
- Liquidity measures have been fairly level over the last four years as the growth of cash and investments has been offset by the accumulation of debt obligations and the upward climb of operating expenses. Between fiscal years 2019 and 2023, long term debt increased by \$935 million. For fiscal year 2023, the University’s Total Cash and Investments to Total Debt was calculated at 0.8:1 (compared to the 2022 DASNY median of 1.9:1) while its Total Cash and Investments to Operating Expenses was 0.9:1 (compared to the 2022 DASNY Median of 2.3:1).
- For fiscal year 2023, NYU reported long-term investments with a total market value of over \$5.88 billion. This represented an increase of 38.4% from fiscal year 2019.

Recommendation

- The Board is being asked to adopt the necessary documents for the issuance of multiple series of commercial paper notes on behalf of New York University. Hawkins Delafield & Wood LLP and McGlashan Law Firm, P.C., co-bond counsel, will provide the Board with an overview of certain document provisions at the February 14, 2024 Board meeting.



This report was prepared solely to assist DASNY in its review and approval of the proposed financing described therein and must not be relied upon by any person for any other purpose. DASNY does not warrant the accuracy of the statements contained in any offering document or any other materials relating to or provided by the Institution in connection with the sale or offering of the Notes, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the Institution, (2) the sufficiency of the security for the Notes or (3) the value or investment quality of the Notes.

The Notes are special limited obligations of DASNY that are secured only by the amounts required to be paid by the Institution pursuant to the Loan Agreement, certain funds established under the Resolution and other property, if any, pledged by the Institution as security for the Notes.