



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

A circular stamp containing a handwritten signature in blue ink, which appears to be "SES".

DATE: May 6, 2024

RE: *State Environmental Quality Review (SEQR) Determination for Pace University's 2024 New Money and Refunding Project (Independent Colleges and Universities Program) – New York County, New York*

Description of Proposed Action and Proposed Project. Pace University (“Pace” or the “University”) has requested financing from the Dormitory Authority of the State of New York (“DASNY”) for its *2024 New Money and Refunding Project* (the “Proposed Project”). Based on a review of the attached *Transaction Report Update – Adoption of Documents*, dated April 30, 2024, it has been determined that the Proposed Action would involve DASNY’s authorization of the issuance of one or more series of fixed and/or variable rate, tax-exempt and/or taxable, Series 2024 Bonds in an amount not to exceed \$330,000,000 with maturities not to exceed 35 years, to be sold at one or more times through a negotiated offering and/or a private placement on behalf of Pace, pursuant to DASNY’s *Independent Colleges and Universities Program*.

2024 New Money and Refunding Project. The proceeds of the bond issuance would be used to finance Pace’s *2024 New Money and Refunding Project*, which would involve various construction and renovation projects at the University’s One Pace Plaza building, Pace’s primary building on its New York City campus. The bond funds would also be used to refund all or a portion of the University’s Series 2013A Bonds issued by DASNY and the Series 2014A and 2014B Bonds issued by the Westchester County Local Development Corporation.

More specifically, the Proposed Project would consist of the design, renovation, construction, equipping and/or furnishing of academic, administrative, residential, performing arts, student services and/or mechanical facilities located at the One Pace Plaza building. The existing building is bounded by Gold Street to the east, Spruce Street to the south, Park Row to the west and Frankfort Street to the north. The building is approximately 550,000 gross square feet (“gsf”) and is informally divided between its west wing and east wing. The east wing includes a lower podium that houses various academic, community and administrative programs, and a student residence hall / dormitory tower (Maria’s Tower) is situated above the lower podium.

The Proposed Project would involve a complete gut renovation of the approximately 185,000-gsf lower podium portion of the east wing of the building to create a new, dynamic, centralized home for its undergraduate and graduate performing and creative arts programs. Within the existing volume, the Proposed Project would consist of the construction and equipping of a new, approximately 100,000-gsf, state-of-the-art, Performing Arts Center consisting of a 450-seat proscenium theater, 200-seat flexible theater, 99-seat black box theater, scene and costume shops, dressing rooms, rehearsal rooms, dance studios, and public gathering spaces. In addition to new spaces for student, faculty and administrative use, the renovation would also include the replacement of the full building's mechanical plant to improve energy efficiency and reduction carbon consumption. The Proposed Project would comply with New York City's Local Law 97, which limits building carbon emissions.

The Proposed Project would also involve the interior renovation and space reorganization of Pace's 12-story, approximately 95,000-gsf student residence hall called Maria's Tower (located on floors 7 through 18 of the building's east wing, above the lower podium). The residence hall space would be reorganized to accommodate approximately 516 beds, an increase of approximately 50 beds.¹

The Proposed Project would also involve asbestos abatement, sprinkler installation, and upgrades to the building's façade. The Proposed Project has commenced with demolition activities initiated in Fall 2023, and the Proposed Project is expected to be completed by Fall 2026.

About the Institution. Pace University is an independent, nonsectarian, non-profit institution with campuses in New York City and Westchester County. The University was founded in 1906 by Homer and Charles Pace as an accounting school. In 1948, the school was granted college status by the New York State Board of Regents. Pace received accreditation from the Middle States Association of Colleges and Schools in 1957 and gained full university status in 1973.

The University enrolls approximately 14,100 students in bachelors, masters, and doctoral programs in the Dyson College of Arts and Sciences, Lubin School of Business, Seidenberg School of Computer Science and Information Systems, College of Health Professions, Sands College of Performing Arts, School of Education and Elisabeth Haub School of Law. The University offers over 100 undergraduate majors and dual-degree programs, approximately 50 master's programs, 8 doctoral programs, and nearly 50 certificate programs. The University's campuses are located in New York City, Pleasantville, New York, and White Plains, New York.

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.

The Proposed Project was previously reviewed by Empire State Development ("ESD"). In correspondence dated February 5, 2024, ESD made a determination that the Proposed Project is a Type II action under SEQR, and that no further environmental review was required. Concurring, DASNY has determined that the Proposed Project described herein would involve "*maintenance or repair involving no substantial changes in an existing structure or facility*"; "*replacement, rehabilitation or reconstruction of a structure or facility, in kind, on the same*

¹ The increase in beds is due to the conversion of floor 17 from staff housing to student housing and floor 18 from executive offices to student housing. For floors 7 through 16, which are already student housing, the proposed renovation would primarily consist of bathroom upgrades and other improvements.

site, including upgrading buildings to meet building, energy, or fire codes”; “conducting concurrent environmental, engineering, economic, feasibility and other studies and preliminary planning and budgetary processes necessary to the formulation of a proposal for action, provided those activities do not commit the agency to commence, engage in or approve such action”; and/or “purchase or sale of furnishings, equipment or supplies, including surplus government property”, 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)(27) 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.

SHPA Determination. 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.

The Proposed Project was previously submitted to OPRHP for review (OPRHP Project #23PR07590).² In a letter dated October 27, 2023, OPRHP rendered its opinion that “*the proposed work will have No Adverse Impact on historic resources*”. 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
Alex Sirdine
SEQR File
OPRHP File

² ESDC/Pace University Performing Arts Center Renovations Project.



Transaction Report Update – Adoption of Documents

Pace University - New York, New York

April 30, 2024

PROGRAM:

Independent Colleges & Universities

PURPOSE:

New Money
Refunding

NOT TO EXCEED AMOUNT:

\$330,000,000

NOT TO EXCEED TERM:

35 Years

INTEREST RATE TYPE:

Fixed and/or Variable

BOND TAX STATUS:

Tax-Exempt and/or Taxable

SALE TYPE:

Negotiated Offering and/or Private Placement

RATINGS: NR/BBB-/NR

SECURITY:

Pledge of Revenues
Mortgage

Recent Information

The Resolution to Proceed for this financing was adopted by the Board at the April 10, 2024 Board meeting. Since that time:

- PACB approval was received on April 17, 2024
- SEQR is anticipated to be completed on May 6, 2024
- The University is exploring the use of bond insurance as additional security for the transaction
- The TEFRA notice was published on April 30, 2024, and the TEFRA hearing is scheduled for May 9, 2024.

For additional information regarding this financing, please reference the attached “Transaction Report – Resolution to Proceed” dated April 2, 2024.

Recommendation

The Board is being asked to adopt the necessary documents for the Pace University financing. Orrick, Herrington & Sutcliffe LLP, and Marous Law Group, P.C., co-bond counsel, will provide the Board with an overview of certain bond document provisions at the May 8, 2024 Board meeting.



Transaction Report – Resolution to Proceed Pace University - New York, New York

April 2, 2024

PROGRAM:

Independent Colleges &
Universities

PURPOSE:

New Money
Refunding

NOT TO EXCEED AMOUNT:

\$330,000,000

NOT TO EXCEED TERM:

35 Years

INTEREST RATE TYPE:

Fixed and/or Variable

BOND TAX STATUS:

Tax-Exempt and/or Taxable

SALE TYPE:

Negotiated Offering and/or
Private Placement

RATINGS: NR/BBB-/NR

SECURITY:

Pledge of Revenues
Mortgage

Proposed New Issue Overview

The Board is being asked to adopt a Resolution to Proceed for one or more series of fixed and/or variable rate, tax-exempt and/or taxable bonds in an amount not to exceed \$330,000,000 with maturities not to exceed 35 years to be sold at one or more times through a negotiated offering and/or a private placement, on behalf of Pace University (“Pace” or the “University”).

Financing Team:

- Senior Manager – BofA Securities
- Co-Bond Counsel – Orrick, Herrington & Sutcliffe LLP and Marous Law
- Underwriter’s Counsel – Katten Muchin Rosenman LLP

Purpose:

- Financing the costs associated with various construction and renovation projects at the University’s One Pace Plaza building, the University’s primary building on its New York City campus, and various other renovation and deferred maintenance projects across the University system. (\$160.0 million).
- Refunding of all or a portion of the University’s Series 2013A Bonds (\$53.5 million) issued by DASNY and the Series 2014A and 2014B Bonds issued by the Westchester County Local Development Corporation (\$100.6 million).

Security:

- The University’s outstanding obligations are currently rated BBB- by S&P. It is anticipated that the Loan Agreement will be secured by a pledge of revenues and a mortgage.

Description of the Bonds:

- The Bonds are a special obligation of DASNY.
- The Loan Agreement is a general obligation of the University.
- The Bonds 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 issuance will be used to finance the costs associated with the design, renovation, and construction of academic, administrative, residential, mechanical, and performing arts facilities located at the University’s One Pace Plaza building. This includes (i) construction and equipping of a 100,000 square foot performing arts center with various theaters, shops, studios, and public spaces, (ii) renovation and expansion of a 12-story residential hall with approximately 500 beds, (iii) replacement of the building’s mechanical plant, (iv) asbestos abatement

and sprinkler installation, (v) upgrades to the building’s façade, and (vi) classroom renovations. Proceeds may also be used for other renovation and deferred maintenance projects across the University system.

Refunding: Proceeds from the proposed issuance are also expected to be used to refund all or a portion of approximately \$53.5 million of the University’s fixed-rate Series 2013A Bonds, which were issued by DASNY, and approximately \$85.7 million of its fixed-rate Series

2014A Bonds, and \$15.0 million of its floating-rate Series 2014B Bonds issued by the Westchester County Local Development Corporation. A full refunding of the fixed-rate Series 2013A and Series 2014A Bonds is currently expected to provide the University with NPV savings of 3.7% or \$5.1 million. The floating-rate Series 2014B Bonds are being refunded for the purpose of simplifying the University’s bond documents by bringing all outstanding bond series under one Resolution. After the Series 2024 Bonds are issued, the University will only have DASNY bonds outstanding.

Sources and Uses: Bond proceeds of approximately \$160.0 million are expected to be deposited into the project fund. Refunding escrow deposits are expected to total \$154.1 million. The Costs of Issuance and the Underwriter’s Discount are approximated at \$4.2 million. Completing the plan of finance will require a bond issue of approximately \$305.0 million.

Sources of Funds:	Series 2024
Bond Proceeds	
Par Proceeds	\$ 305,000,000
Original Issue Premium	13,286,130
Total Sources	\$ 318,286,130
Uses of Funds:	
Project Fund Deposits	
New Money	\$ 160,000,000
Series 2013A Refunding	53,530,000
Series 2014 A&B Refunding	100,590,000
Costs of Issuance and Underwriter's Discount	4,166,130
Total Uses	\$ 318,286,130

Approvals

PACB Approval – *April 17, 2024 (anticipated)* TEFRA Hearing – *TBD* SEQR Filing – *May 6, 2024 (anticipated)*

Borrower Overview

Pace University is an independent, nonsectarian, non-profit institution with campuses in New York City and Westchester County. It was founded in 1906 by Homer and Charles Pace as an accounting school. In 1948, the school was granted college status by the New York State Board of Regents. Pace received accreditation from the Middle States Association of Colleges and Schools in 1957 and gained full university status in 1973.

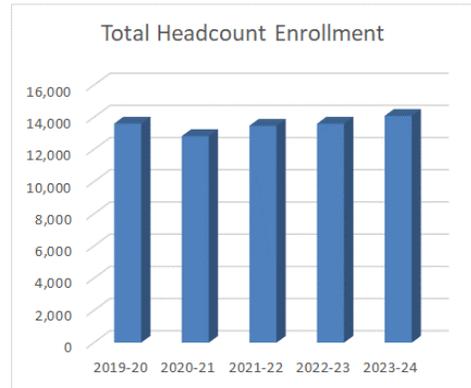
The University enrolls approximately 14,100 students in bachelors, masters, and doctoral programs in the Dyson College of Arts and Sciences, Lubin School of Business, Seidenberg School of Computer Science and Information Systems, College of Health Professions, Sands College of Performing Arts, School of Education and Elisabeth Haub School of Law. The University offers over 100 undergraduate majors and dual degree programs, approximately 50 master’s programs, 8 doctoral programs, and nearly 50 certificate programs. The University’s campuses are located in New York City, Pleasantville, New York, and White Plains, New York.

Financing History:

The University has been a client of DASNY since 1966. Over the last 58 years, DASNY has issued 10 separate obligations on behalf of the University, totaling over \$294.7 million. As of December 31, 2023, approximately \$71.8 million in DASNY debt issued on behalf of Pace remained outstanding.

Enrollment:

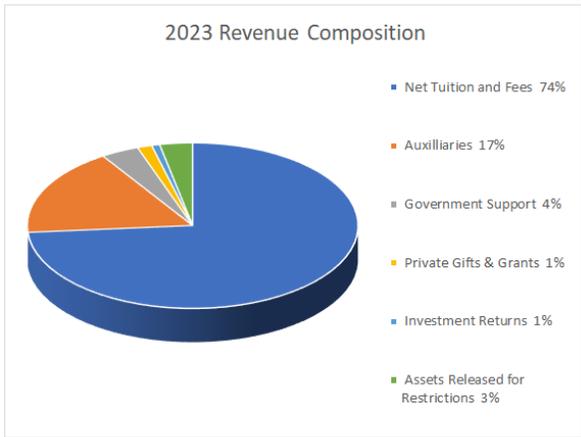
<u>Selected Enrollment Statistics</u>					
	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
First-time Freshman Applications Received	22,411	24,903	24,792	26,611	26,923
First-time Freshman Applications Accepted	17,640	20,637	21,723	22,068	21,410
Undergraduate Acceptance Ratio	78.7%	82.9%	87.6%	82.9%	79.5%
First-time Freshman Applicants Enrolled	1,950	1,792	2,203	2,104	1,794
Undergraduate Matriculation Ratio	11.1%	8.7%	10.1%	9.5%	8.4%
Headcount Enrollment					
Undergraduate	8,745	7,994	8,260	8,223	8,176
Graduate	<u>4,867</u>	<u>4,841</u>	<u>5,219</u>	<u>5,386</u>	<u>5,916</u>
Total Headcount Enrollment	13,612	12,835	13,479	13,609	14,092



- Interest in the University’s programs has increased steadily over the last five years, as evidenced by a 20.1% increase in applications received, increasing from 22,411 in fall 2019 to 26,923 for fall 2023.
- Pace’s acceptance ratio, which averaged 82.3% over the past five years, decreased from 87.6% in the fall of 2021 to 79.5% in the fall of 2023. Management has focused on improving selectivity and retention in recent years.
- Overall, the University’s total headcount enrollment increased by 3.5% over five years, from 13,612 in fall 2019 to 14,092 in fall 2023. The increase was driven by a 21.6% increase in total graduate enrollment, as the University pivoted to focus on graduate enrollment due to the more challenging market for undergraduate students.
- The University reported Full-time Equivalent enrollment of 12,500 for fall 2023, an increase of 7.7% over five years.

Operations:

<u>Selected Operating Statistics</u>					
<i>(dollars in thousands)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total operating revenue	\$397,830	\$385,811	\$389,154	\$426,936	\$434,793
Total operating expense	<u>381,751</u>	<u>378,356</u>	<u>372,081</u>	<u>384,960</u>	<u>415,451</u>
Change in net assets from operations	16,079	7,455	17,073	41,976	19,342
Total non-operating activities	<u>(5,261)</u>	<u>1,563</u>	<u>8,582</u>	<u>10,969</u>	<u>2,760</u>
Change in unrestricted net assets	\$10,818	\$9,018	\$25,655	\$52,945	\$22,102
Adjusted Operating Margin (DASNY 2022 Median: 3.3%)	4.8%	2.9%	5.5%	9.4%	5.1%
Adjusted Net Income Margin (DASNY 2022 Median: 3.0%)	3.5%	3.3%	7.7%	12.0%	5.8%
Annual Debt Service Coverage (DASNY 2022 Median: 2.3:1)	3.9	3.2	4.2	5.3	3.7

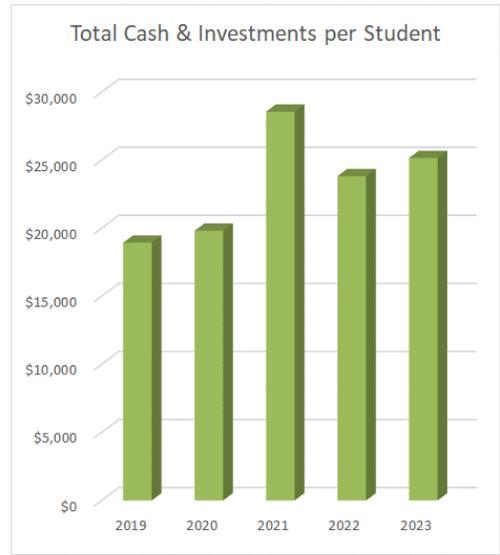


- The University has maintained positive operating results and has increased its operating revenues by 9% over the last five years. For fiscal year 2023, Pace reported operating revenues of \$434.8 million and an operating surplus of \$19.3 million. Adjusted operating margins have averaged 5.5% over five years.
- The University reported an above-average operating surplus in fiscal year 2022 of \$42.0 million. This can mostly be attributed to assets released from restriction for the purpose of construction.
- For fiscal years 2022 and 2023, net tuition and fees increased by 3.1% and 8.1%, respectively, after effectively being flat over the prior three years.
- Growth in net tuition and fees is a positive sign for the University, as this accounts for 74% of the total revenues. This is followed by auxiliary revenues at 17%, which are revenues from sources such as student dormitories that support primary program offerings. Thus, 91% of the University's revenues depend on enrollment.



Balance Sheet:

Selected Financial Position Statistics					
<i>(dollars in thousands)</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total Assets	\$692,738	\$707,400	\$1,138,059	\$1,093,407	\$1,300,057
Total Liabilities	391,510	389,850	733,074	696,808	837,516
Net Assets					
Unrestricted	84,248	93,267	118,922	171,867	193,968
Temporarily Restricted	108,462	111,953	162,978	96,272	135,554
Permanently Restricted	<u>108,518</u>	<u>112,330</u>	<u>123,085</u>	<u>128,460</u>	<u>133,019</u>
Total Net Assets	\$301,228	\$317,550	\$404,985	\$396,599	\$462,541
Long-Term Debt	\$195,677	\$191,302	\$186,746	\$181,045	\$175,120
Total Cash & Investments to Operating Expenses (DASNY 2022 Median: 1.9:1)	0.6	0.6	0.8	0.7	0.7
Total Cash & Investments to Total Debt (DASNY 2022 Median: 2.3:1)	1.1	1.2	0.5	0.5	0.4
Total Cash & Investments per Student	\$18,936	\$19,814	\$28,560	\$23,824	\$25,155



- The University has grown its net assets by over 50% since 2019. At fiscal year-end 2023, it reported total net assets of \$462.5 million, of which \$194.0 million were unrestricted. This growth can be attributed to sustained positive operating results and growth in the University’s investment portfolio and real estate assets.
- As of fiscal year-end 2023, the University's investment portfolio totaled approximately \$294.8 million, which includes \$237.0 million in endowment and other funds and \$57.8 million in investment funds designated for construction by the Board. Total investments have increased by 38.5% over five years.
- Long-term debt has decreased steadily over the five-year period as the University has not issued bonds since 2014. During that time, the University has made significant capital improvements to modernize and replace aging facilities under its Westchester and New York City Master plans through University equity and fundraising.
- The University has developed master plans for both the Westchester and New York City campuses and is close to completing both. Work under the Westchester Master Plan has been completed, and the University has made significant progress in implementing the New York City Master Plan, completing three of the four phases.
- Construction costs for the first three phases totaled approximately \$170 million and were completely funded through the University’s operating cash, private gifts, and the sale of underutilized properties.
- Phase 4 of the New York City Master Plan involves the renovation and transformation of the East portion of One Pace Plaza. The total cost of Phase 4 is presently estimated at \$268 million, which will be partly funded with proceeds from the Series 2024 Bonds.

Recommendation

- Staff recommends that the Board adopt a Resolution to Proceed for one or more series of bonds with terms not to exceed 35 years in an amount not to exceed \$330,000,000 on behalf of Pace University.

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 Bonds, 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 Bonds or (3) the value or investment quality of the Bonds.

The Bonds 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 Bonds.



**New York State
Parks, Recreation and
Historic Preservation**

KATHY HOCHUL
Governor

ERIK KULLESEID
Commissioner

October 27, 2023

Ibi Yolas
Vice President, Campus Planning and Facilities
Pace University
One Pace Plaza
Executive Suite
New York, NY 10038

Re: ESDC
Pace University Performing Arts Center Renovations
1 Pace Plz, New York, NY 10038
23PR07590
Pace PAC #135,079

Dear Ibi Yolas:

Thank you for continuing to consult with the Division for Historic Preservation of the Office of Parks, Recreation and Historic Preservation (OPRHP). We have reviewed the submitted materials in accordance with the New York State Historic Preservation Act of 1980 (section 14.09 of the New York Parks, Recreation and Historic Preservation Law). These comments are those of the Division for Historic Preservation and relate only to Historic/Cultural resources.

We have reviewed the design drawings that were submitted to our office on October 26th, 2023. Based upon our review, it is OPRHP's opinion that the proposed work will have No Adverse Impact on historic resources.

If you have any questions, I am best reached via e-mail.

Sincerely,

Olivia Brazee
Historic Site Restoration Coordinator
olivia.brazee@parks.ny.gov

cc: S. Kang, ESDC

via e-mail only