



**Memorandum**

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

**FROM:** Emma C. Lanahan, Environmental Affairs Specialist, Office of Environmental Affairs *ECL*

**DATE:** July 15, 2025

**RE:** *State Environmental Quality Review (SEQR) Type II Determination for the American Academy of Dramatic Arts 2025 Financing (Refunding) Project (Independent Colleges & Universities Program) – New York County, New York*

**Description of Proposed Action and Proposed Project.** The American Academy of Dramatic Arts (“AADA” or the “Academy”) has requested financing from the Dormitory Authority of the State of New York (“DASNY”) for its *2025 Financing (Refunding) Project* (the “Proposed Project”). Based on a review of the attached *Transaction Report – Single Approval*, dated July 8, 2025, 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 2025 Bonds, in an amount not to exceed \$37,000,000 with maturities not to exceed 35 years, to be sold at one or more times through a private placement on behalf of the Academy, pursuant to DASNY’s *Independent Colleges & Universities Program*.

More specifically, the proceeds from the bond issuance would be used to refund all or a portion of the Academy’s Series 2019A and 2019B Bonds (approximately \$32.6 million) issued by DASNY and restructure the debt through a new purchaser.

**About the Institution.** The American Academy of Dramatic Arts is an educational institution of higher learning that was established in 1884. The Academy is chartered by the Board of Regents of the University of the State of New York, and its Professional Training Program is registered with the New York State Education Department. The Academy is also accredited by the Middle States Commission on Higher Education and the National Association of Schools of Theatre. The Academy offers a 2-year associate degree, Associate of Occupational Studies (“AOS”), with the option to continue for a third year to earn a Certificate of Advanced Studies in Acting.

The Academy’s campus is located in Madison Avenues’ landmark Colony Club building at 120 Madison Avenue in Midtown Manhattan, New York County, New York. The building is listed on the State and National Registers of Historic Places (“S/NR”) and is also a designated New York City Landmark by the New York City Landmark Preservation Commission. The campus encompasses six stories of classrooms, rehearsal halls, dance studios, costume and prop departments, a production workshop, a student lounge and an expansive library. The campus also includes a collection of theatres that offer a variety of training and performance opportunities, including the 152-seat proscenium theatre, the 164-seat thrust theatre and the 103-seat arena-style theatre.

**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 would involve “...refinancing existing debt”, which is a Type II action as specifically designated by 6 N.Y.C.R.R. § 617.5(c)(29). 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*.”<sup>1</sup> Therefore, no further SEQR determination or procedure is required for a 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 Bond issuance. 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 S/NR.

#### Attachments

cc: David Ostrander  
Sara E. Stein, AICP  
SEQR File  
OPRHP File

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<sup>1</sup> 6 N.Y.C.R.R. § 617.5(a)



## Transaction Report – Single Approval

### The American Academy of Dramatic Arts – New York, NY

July 8, 2025

#### PROGRAM:

Independent Colleges &  
Universities

#### PURPOSE:

Refunding

#### NOT TO EXCEED AMOUNT:

\$37,000,000

#### NOT TO EXCEED TERM:

35 Years

#### INTEREST RATE TYPE:

Fixed and/or Variable

#### BOND TAX STATUS:

Tax-Exempt and/or Taxable

#### SALE TYPE:

Private Placement

#### EXPECTED RATINGS:

None

#### SECURITY:

Pledge of Revenues  
Mortgage

#### Proposed New Issue Overview

The Board is being asked to adopt the necessary documents for one or more series of fixed and/or variable rate, tax-exempt and/or taxable bonds, in an amount not to exceed \$37,000,000, with maturities not to exceed 35 years, to be sold at one or more times through a private placement on behalf of The American Academy of Dramatic Arts ("AADA", or the "Academy").

#### Financing Team:

- Co-Bond Counsel – Harris Beach Murtha and Law Offices of Barry D. Lites
- Placement Agent – D.A. Davidson and Co
- Purchaser – Rosemawr Management LLC

#### Purpose:

- Refunding and restructuring of The American Academy of Dramatic Arts Series 2019A and 2019B Bonds issued by DASNY (\$32.6 million).

#### Security (as required by the Purchaser):

- Pledge of Revenues
- Mortgage on real property, which is expected to include all real property owned by the Academy

#### Description of the Bonds:

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

#### Financing Details:

**Refunding and Restructuring:** Bond proceeds are expected to be used to refund The American Academy of Dramatic Arts Series 2019A and 2019B Bonds issued by DASNY and restructure the debt through a new purchaser as discussed below.

*The Series 2019A&B Bonds* - On February 7, 2019, DASNY issued \$34,000,000 of Series 2019A and 2019B Bonds to finance the acquisition of 118 Madison Avenue for student housing, a property that was previously leased by the Academy. The bonds were privately placed and purchased by Citizens Funding Corp. (\$24,000,000 Series 2019A) and TD Bank (\$10,000,000 Series 2019B). Each series of bonds is variable rate, swapped to a fixed rate, and subject to mandatory tender on February 6, 2029.

*Forbearance* - In accordance with the 2019 documents between AADA and the purchasers, the Academy must comply with certain financial covenants as required by the purchasers including a liquidity ratio and a debt service coverage ratio. The Academy failed to meet its minimum debt service ratio requirement as of August 31,

2024 and, as a result, resolved with the purchasers to enter into a forbearance agreement dated March 11, 2025 whereby the banks agreed to forbear against the covenant default for the period August 31, 2024 through March 31, 2026. Under the terms of the



agreement, AADA has agreed to have a defined plan to refinance the 2019 Bonds by July 31, 2025. In addition, AADA must provide monthly reports on the progress of the sale of its California campus.

*Closure of the Los Angeles Campus* - The Academy has operated a campus in Los Angeles, CA since 1974. After a thorough evaluation of enrollment and financial forecasts, the board of trustees determined that closing the LA branch campus at the end of the 2024-2025 academic year and consolidating all operations around its New York Campus beginning with the 2025-2026 academic year was the best strategic action to ensure the viability of the Academy going forward. Enrollment at the LA campus declined significantly during the pandemic and has not rebounded to pre-COVID levels. In addition, management determined that maintaining an LA campus was not as necessary as it might have been in the past when all film production was concentrated in LA. The decision was announced to all stakeholders in April 2024 in order to provide sufficient notice and ensure an orderly transition.

Closing the LA branch campus is expected to reduce long-term debt while also allowing the Academy to utilize the proceeds to strengthen its financial position and secure its long-term viability as a single-campus institution. There are two Academy properties located in LA, the main campus which is currently on the market and the student housing facility which was recently sold. After the sale of the LA properties, all debt associated with the LA campus will be paid off and only the outstanding debt from the proposed transaction related to 118 Madison Avenue will remain. There is no outstanding debt on 120 Madison Avenue, the main campus facility. Based on recent real estate appraisals, the combined market value of 118 Madison and 120 Madison would be more than double the amount of debt that would be remain outstanding. Net proceeds from the sale after the paydown of existing debt is expected to be invested in the Academy's endowment.

*The Restructuring Plan* – The proposed Series 2025 Bonds are expected to be sold through a private placement to Rosemawr Management LLC, a qualified institutional buyer. The bonds are expected to be issued as fixed rate with an interest only period of four years. A portion of the interest payments may be funded through capitalized interest. Principal amortization is expected to commence on 7/1/29 with a final maturity on 7/1/60. Security for the bonds as required by the purchaser is expected to include a pledge of revenues and a mortgage on all real property owned by the Academy including 118 and 120 Madison Avenue. The purchaser will also require certain financial covenants including a minimum liquidity requirement, a debt service coverage ratio, and an additional debt test. A portion of the LA main campus sale proceeds may be used to reduce the amount of the total debt and/or fund a debt service reserve fund.

As discussed in more detail below, the Academy expects operating losses in fiscal year 2025 due to the expense of sustaining LA campus operations and services through its final year with a substantially reduced enrollment. The sale of the LA properties will allow AADA to repay outstanding debt associated with the LA campus while utilizing net proceeds of approximately \$20 million to pay down a portion of NY debt to lower annual debt service and/or build its balance sheet. The restructuring will provide debt service relief over the next four years as AADA consolidates its operations around the New York campus and works to stabilize enrollment at a sustainable level going forward.

**Sources and Uses:** Refunding of the Series 2019A and 2019B Bonds will require a deposit of approximately \$29.8 million. Capitalized interest, if necessary, is estimated at approximately \$1.2 million. Costs of issuance are estimated to total approximately \$1.7 million. The restructuring will require a bond issue of approximately \$32.6 million. In order to provide the Academy with flexibility, a bond issue with a not-to-exceed par amount of \$37.0 million is being requested.

**Sources of Funds:**

Bond Proceeds		
Par Proceeds	\$	32,575,000
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<i>Total Sources</i>	\$	32,575,000

**Uses of Funds:**

Project Fund Deposits		
Series 2019A&B Refunding	\$	29,725,725
Capitalized Interest		1,150,000
Costs of Issuance		1,699,275
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<i>Total Uses</i>	\$	32,575,000

**Approvals**

SEQR Filing (anticipated) – 7/14/25    PACB Approval (anticipated) – 7/23/25    TEFRA Hearing (anticipated) – To be determined

**Borrower Overview**

The American Academy of Dramatic Arts is an educational institution of higher learning that was established in 1884. The Academy is chartered by the Board of Regents of the University of the State of New York and its Professional Training Program is registered with the New York State Education Department. In addition, the Academy is accredited by the Middle States Commission on Higher Education and the National Association of Schools of Theatre. The Academy offers a 2-year associate degree, Associate of Occupational Studies (AOS), with the option to continue for a third year to earn a Certificate of Advanced Studies in Acting.

The American Academy of Dramatic Arts' campus is located in Madison Avenue's landmark Colony Club building at 120 Madison Avenue. The campus encompasses six stories of classrooms, rehearsal halls, dance studios, dressing rooms, costume and prop departments, a production workshop, a student lounge, and an expansive library designed to serve the specific needs of acting students. The campus includes a collection of theatres that offer a variety of training and performance opportunities including the 152-seat proscenium theatre, the 164-seat thrust theatre and the 103-seat arena-style theatre. AADA student housing is provided at The Academy House, located at 118 Madison Avenue.

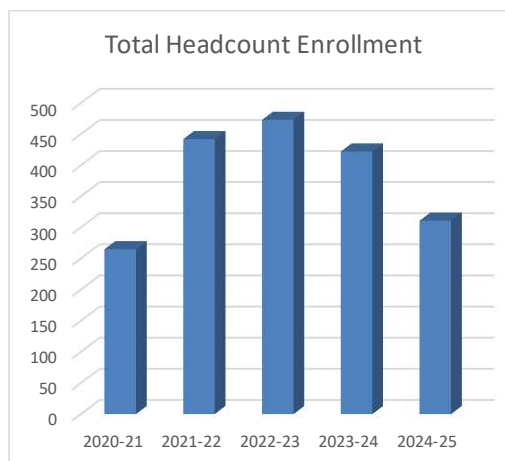
**Financing History:**

The proposed issuance will be the Academy's second financing through DASNY. AADA previously issued tax-exempt bonds through DASNY in 2019. The Series 2019A and 2019B Bonds are expected to be refunded through the proposed transaction.

## Enrollment:

### Selected Enrollment Statistics

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
First-time Freshman Applications Received	4,667	3,413	3,189	3,309	2,122
First-time Freshman Applications Accepted	571	613	534	586	388
Undergraduate Acceptance Ratio	12.2%	18.0%	16.7%	17.7%	18.3%
First-time Freshman Applicants Enrolled	93	190	193	215	105
Undergraduate Matriculation Ratio	16.3%	31.0%	36.1%	36.7%	27.1%
<b>Headcount Enrollment</b>					
Undergraduate	265	442	473	422	311
Graduate	0	0	0	0	0
<b>Total Headcount Enrollment</b>	<b>265</b>	<b>442</b>	<b>473</b>	<b>422</b>	<b>311</b>



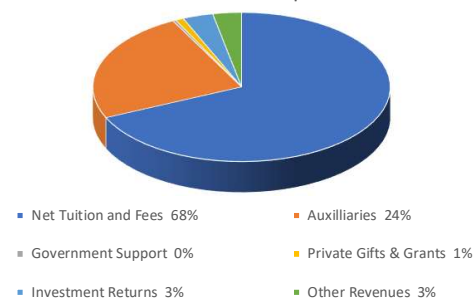
- Total Enrollment at the Academy dropped sharply during the pandemic across both the NY and LA campuses, from approximately 588 total students in Fall 2019 down to 265 students in Fall 2020. While enrollment at the NY campus has rebounded slightly since that time, enrollment at the LA campus declined in each of the last four years. Total enrollment was 311 for fall 2024, comprised of 199 NY students (64% of total enrollment) and 112 LA students (36% of total enrollment).
- As discussed in the “Financing Details” section above, the Academy is in the process of closing the LA campus and consolidating all operations around its New York Campus beginning with the 2025-2026 academic year.
- The Academy has targeted an enrollment level of 290 at the NY campus beginning in fiscal year 2027, with expectations that enrollment will grow to 306 in FY 2028 and to 326 in FY 2029. While management believes enrollment around 290 is sufficient to sustain the Academy going forward, stabilizing enrollment around 300-325 students will afford the institution the opportunity to continually invest in its programs while allowing for some fluctuation in both revenue and expense levels. The NY campus has the capacity to enroll up to 350 full-time students.
- AADA expects to achieve and potentially exceed its target of 290 full-time students by 2027 through the consolidation to a single campus model starting in 2025-2026, the deployment of new marketing and recruitment strategies, and the development of new programs. Management believes that combining the applicant pool of two campuses (minus those interested in LA study only) maintains sufficient prospects to yield the target of 290 students while new marketing and recruitment strategies being deployed for fall 2025 will help grow the pool of potential students. A new musical theatre program was initiated in 2024 and enhanced summer programs are being offered for Summer 2025. A four-year Bachelor of Fine Arts degree program is also being explored.

## Operations:

### Selected Operating Statistics

<i>(dollars in thousands)</i>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Total operating revenue	\$18,957	\$14,560	\$21,288	\$18,870	\$17,626
Total operating expense	<u>17,125</u>	<u>13,472</u>	<u>16,288</u>	<u>16,235</u>	<u>15,781</u>
Change in net assets from operations	1,832	1,088	5,000	2,635	1,845
Total non-operating activities	<u>(2,014)</u>	<u>1,067</u>	<u>(3,115)</u>	<u>(1,421)</u>	<u>(716)</u>
Change in unrestricted net assets	(182)	2,155	1,885	1,214	1,129
Adjusted Operating Margin	11.8%	9.9%	24.8%	15.6%	11.5%
Adjusted Net Income Margin	1.4%	17.1%	10.4%	8.2%	7.5%
Annual Debt Service Coverage	2.1	1.7	2.8	2.0	1.7

### 2024 Revenue Composition



- AADA's Operating Revenues declined over the last two fiscal years as falling enrollment led to lower net tuition and fee revenue. Operating Revenues, which reached a five-year high of \$21.2 million in fiscal year 2022, fell by 17% to \$17.6 million in fiscal year 2024. Operating Expenses, which include certain fixed costs, fell by 3% during that same period. Auxiliary Revenue has been stable at approximately \$4.4 million annually as the NY student housing facility remained at full capacity since fall 2022.
- The Academy's Operating Margins have averaged \$2.5 million annually over the past five fiscal years. It should be noted that AADA reports interest expense as non-operating on its Audited Financial Statements. With interest expense included as part of operating expenses, the average Adjusted Operating Margin drops to approximately \$610,000 annually. Net Income Margins, which include unrealized investment gains and losses, have averaged \$1.2 million annually over five years.
- As noted earlier, the Academy anticipates operating losses during fiscal year 2025 due to the expense of sustaining LA campus operations and services through its final year with a substantially reduced enrollment. By consolidating campuses and incorporating strategies to grow enrollment at the NY campus, management projects improving operating margins beginning in fiscal year 2026.

## Balance Sheet:

<b>Selected Financial Position Statistics</b>					
<i>(dollars in thousands)</i>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total Assets	\$77,652	\$81,671	\$82,489	\$84,445	\$85,694
Total Liabilities	55,058	56,922	55,844	56,586	56,706
<b>Net Assets</b>					
Unrestricted	21,452	23,607	25,503	26,717	27,846
Temporarily Restricted	0	0	0	0	0
Permanently Restricted	<u>1,142</u>	<u>1,142</u>	<u>1,142</u>	<u>1,142</u>	<u>1,142</u>
Total Net Assets	\$22,594	\$24,749	\$26,645	\$27,859	\$28,988
<b>Long-Term Debt</b>	\$50,037	\$49,087	\$45,809	\$44,457	\$43,754
Total Cash & Investments to Operating Expenses	0.6	1.1	0.9	1.0	1.0
Total Cash & Investments to Total Debt	0.2	0.3	0.3	0.4	0.4
Total Cash & Investments	\$9,860	\$15,309	\$15,036	\$16,515	\$15,746



- As of fiscal year-end 2024, AADA reported Total Net Assets of just under \$29.0 million, an increase of 28.3% over five years. Approximately 96% of this amount is unrestricted. The growth in net assets since FYE 2020 is mainly due to a combination of positive operating margins and unrealized gains on the Academy's investment portfolio. As of FYE 2024, the Academy reported \$15.7 million of cash and investments, an increase of \$5.9 million (59.7%) over five years.
- While liquidity ratios have improved slightly over the past five years, overall liquidity remains thin. For fiscal year 2024, the Academy reported Total Cash & Investments to Operating Expenses of 1.0:1 (0.6:1 at fiscal year-end 2020) and Total Cash & Investments to Total Debt of 0.4:1 (0.2:1 at fiscal year-end 2020).
- As of FYE 2024, AADA reported \$43.8 million of long-term debt on its balance sheet. Approximately \$13.2 million of this amount is associated with the LA campus and will be paid off with proceeds of the two property sales. The remaining LA sale proceeds, which are expected to total approximately \$20 million, are anticipated to be used to pay down a portion of the remaining NY debt and help grow the Academy's endowment to bolster liquidity.

## Summary

- The Board is being asked to adopt the necessary documents for the American Academy of Dramatic Arts financing. Harris Beach Murtha and the Law Offices of Barry D. Lites, co-bond counsel, will provide the Board with an overview of certain bond document provisions at the July 16, 2025 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 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.*