NEW YORK STATE | DASNY

KATHY HOCHUL Governor	**LISA GOMEZ** Chair	**ROBERT J. RODRIGUEZ** President & CEO

Memorandum

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

FROM: Emma Lanahan, Environmental Affairs Specialist

DATE: January 13, 2025

RE: *State Environmental Quality Review (SEQR) Determination* for The New School's *2025 Refunding/ Financing Project (Independent Colleges & Universities Program)* – New York County, New York

Description of Proposed Action and Proposed Project. The New School ("The New School", or the "University"), has requested financing from the Dormitory Authority of the State of New York ("DASNY") for its *2025 Refunding/Financing Project* (the "Proposed Project"). Based on a review of the attached *Transaction Report- Single Approval*, dated January 7, 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 $105,000,000 with maturities not to exceed 30 years, to be sold at one or more times through a negotiated offering on behalf of the University, 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 University's Series 2015A Bonds (approximately $71.7 million) issued by DASNY. The bond proceeds would also be used to finance and/or reimburse the University for costs associated with various renovation and improvement projects across the University's facilities (approximately $30.0 million), such as mechanical equipment repair and replacement, information technology upgrades, interior renovations, and roof, window and façade improvements, as described further below:

- *Sheila C. Johnson Design Center* – 66 Fifth Avenue: elevator modernization and roof and façade improvements for New York City Local Law 11 code compliance;
- *Eugene Lang College of Liberal Arts* – 65 West 11th Street: refurbishment and upgrades to the Writing Program space and replacement of air handling units;
- *Fanton Hall* – 72 Fifth Avenue: roof and façade improvements for New York City Local Law 11 code compliance, furnishing, equipping and interior upgrades, and replacement of air handling units;
- *Johnson Hall* – 66 West 12th Street: installation of humidity control system and upgrades to the heating, ventilation, and air conditioning ("HVAC") system, roof and façade improvements for New York City Local Law 11 code compliance, replacement of ejector pit pumps and domestic water pumps, space reconfiguration and building improvements;

- *Arnhold Hall* – 55 West 13th Street: marquee improvements, replacement of cooling tower and controls, fire safety system, air conditioning units, and replacement of roof and upgrades to parapet walls;
- *Parsons East Building* – 25 East 13th Street: reconstruction of lab floors, upgrades to lighting grid, millwork, replacement of fire safety system, and replacement of cooling tower and controls; and
- 2 West 13th Street: installation of sound-proof door on photo lab washout room.

The various renovation and improvement projects noted above were included in DASNY's reissuance of The New School Revenue Bonds, Series 2015A, dated June 28, 2024, in connection with the sale of University property located at 300 West 20th Street, New York, New York, and were previously reviewed under *SEQR*.[1]

About the Institution. The New School is an independent, nonprofit, co-educational institution of higher education. Its main campus is located in Greenwich Village in the City of New York, along with other locations in Manhattan. The University was originally founded in 1919 as the New School for Social Research, and it was created to offer instruction to adults on the pressing social, political and economic problems of the day. Over the years, the University has expanded its focus beyond the concerns of social science to embrace arts and culture. Today, the University offers bachelors, masters, doctorate, and certificate programs in the visual, performing and liberal arts, as well as in the social sciences, management, and urban policy.

The New School comprises of six schools: The Parsons School of Design, Eugene Lang College of Liberal Arts, College of Performing Arts, The New School for Social Research, the Schools of Public Engagement and Parsons Paris. The New School is a member of the Association of American Colleges and Universities and is accredited by the Middle States Commission on Higher Education.

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 components are classified as follows:

- Maintenance or repair involving no substantial changes in an existing structure or facility is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(1);
- 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 unless such action meets or exceeds any of the thresholds in Part 617.4 is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(2);
- 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, is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(10);
- Refinancing existing debt is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(29); and

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[1] *Remedial Action Tax Certificate with Respect to the Authority's The New School Revenue Bonds, Series 2015A,* dated June 28, 2024.

- Purchase or sale of furnishings, equipment, or supplies, including surplus government property, other than the following: land, radioactive material, pesticides, herbicides, or other hazardous materials, is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(31).

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*."[2] 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 National and/or State Registers of Historic Places.

Attachments

cc: Michael Logan
David Ostrander
SEQR File
OPRHP File

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[2] 6 N.Y.C.R.R. § 617.5(a)

Transaction Report – Single Approval

The New School – New York, NY

January 7, 2025

PROGRAM:

Independent Colleges & Universities

PURPOSE:

Refunding
New Money

NOT TO EXCEED AMOUNT:

$105,000,000

NOT TO EXCEED TERM:

30 Years

INTEREST RATE TYPE:

Fixed and/or Variable

BOND TAX STATUS:

Tax-Exempt and/or Taxable

SALE TYPE:

Negotiated Offering

RATINGS:

A3/BBB+

SECURITY:

General Obligation

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 $105,000,000, with maturities not to exceed 30 years, to be sold at one or more times through a negotiated offering on behalf of The New School.

Financing Team:

- Senior Manager – Goldman Sachs & Co.
- Co-Bond Counsel – Squire Patton Boggs LLP and Holley & Pearson-Farrer LLP
- Underwriter's Counsel – Katten Muchin Rosenman

Purpose:

- Refunding of all or a portion of the University's Series 2015A Bonds issued by DASNY ($71.7 million).
- Financing the costs associated with various renovation projects across the University's facilities ($30.0 million).

Security:

- General Obligation of the University

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:

Refunding: Proceeds from the proposed issuance are expected to refund all or a portion of the University's Series 2015A Bonds issued by DASNY. The Bonds reach final maturity on July 1, 2050. While it is not anticipated that the final maturity of the refunding bonds will exceed the final maturity of the bonds to be refunded, a not-to-exceed term of 30 years is being requested.

Assuming current market conditions, a total net present value savings in the range of $4.6 million, or 4.54% of the refunded bonds, is expected from the refunding of the Series 2015A bonds. In addition, the University will no longer be subject to the financial covenants included in the Series 2015A Loan Agreement once all of the bonds are refunded.

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Savings Analysis

Date	Existing Debt Service	New Debt Service	Gross Savings
2025	1,758,500	1,153,576	604,924
2026	7,021,750	6,756,150	265,600
2027	6,144,750	5,911,650	233,100
2028	6,146,000	5,914,150	231,850
2029	6,143,500	5,913,150	230,350
2030	6,147,250	5,913,650	233,600
2031	6,146,750	5,915,400	231,350
2032	8,937,000	8,603,150	333,850
2033	8,943,250	8,607,400	335,850
2034	6,572,500	6,325,400	247,100
2035	6,558,000	6,310,900	247,100
2036	6,557,250	6,310,650	246,600
2037	6,559,250	6,313,650	245,600
2038	6,558,500	6,314,400	244,100
2039	6,559,750	6,312,650	247,100
2040	6,562,500	6,318,150	244,350
2041	6,551,250	6,305,150	246,100
2042	5,531,250	5,324,150	207,100
2043	5,522,500	5,313,150	209,350
2044	8,991,500	8,655,650	335,850
2045	8,959,000	8,623,650	335,350
2046	8,951,000	8,612,150	338,850
2047	6,729,100	6,476,763	252,338
2048	6,681,600	6,429,038	252,563
2049	6,644,650	6,394,238	250,413
2050	6,582,150	6,336,050	246,100
Total	174,460,500	167,364,063	7,096,437

PRESENT VALUE ANALYSIS SUMMARY	
NET PRESENT VALUE BENEFIT	4,555,667
NPV BENEFIT OF BONDS BEING REFUNDED	4.54%
NPV BENEFIT OF REFUNDING PRINCIPAL	4.96%

New Money: Proceeds from the proposed issuance may be used to finance and/or reimburse the University for costs associated with various renovation projects across the University's facilities. Projects include mechanical repair and replacement, information technology upgrades, interior renovations, and roof, window and façade improvements.

Sources and Uses: Proceeds of approximately $71.7 million are expected to be deposited to the refunding escrow. New money proceeds of approximately $30.0 million are expected to be deposited into the project fund. Costs of issuance are estimated to total approximately $735,000. The refunding of the Series 2015A Bonds will require a bond issue of approximately $91.8 million. Other estimated sources of funds include $7.7 million of original issue premium and $2.8 million of debt service funds on hand. To provide flexibility, a bond issue with a not-to-exceed par amount of $105 million is being requested.

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Sources and Uses of Funds

Sources of Funds:			
	Bond Proceeds:		
	Par Proceeds	$	91,840,000
	Premium		7,734,834
	Other Sources of Funds:		
	Debt Service Fund Release		2,831,000
	Total Sources	$	102,405,834
Uses of Funds:			
	Project Fund Deposit	$	30,000,000
	Refunding Escrow Deposits		71,668,941
	Costs of Issuance		736,893
	Total Uses	$	102,405,834

Approvals

PACB Approval (anticipated) – 1/29/25 SEQR Filing (anticipated) – 1/13/25 TEFRA Hearing (anticipated) – To Be Determined

Borrower Overview

The New School is an independent, nonprofit, coeducational institution of higher education. Its main campus is located in Greenwich Village in The City of New York, along with other locations in Manhattan. Originally founded in 1919 as the New School for Social Research, the University was created to offer instruction to adults on the pressing social, political, and economic problems of the day. Over the years, The New School expanded its focus beyond the concerns of social science to embrace the arts and culture. Today, the University offers bachelors and masters programs in the visual and performing arts in addition to bachelors, masters, doctorate and certificate programs in the liberal arts, social sciences, and management and urban policy.

The New School comprises six schools, each with its own history and program offerings: Parsons School of Design, Eugene Lang College of Liberal Arts, College of Performing Arts, The New School for Social Research, the Schools of Public Engagement, and Parsons Paris. The New School is a member of the Association of American Colleges and Universities and is accredited by the Middle States Commission on Higher Education. The University is governed by a Board of Trustees, currently consisting of 37 members reflecting a broad range of expertise.

Financing History:

DASNY's experience with The New School dates back to 1967 with the issuance of the University's Series A Bonds. Since then, DASNY has completed 15 additional financings on behalf of The New School for a total of nearly $1.2 billion, of which $609.4 million remains outstanding.

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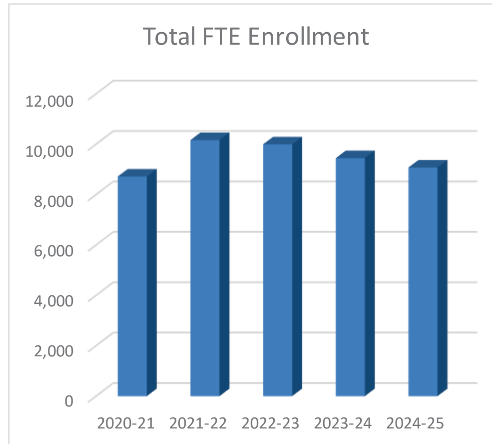
DASNY

Enrollment:

Selected Enrollment Statistics

	2020-21	2021-22	2022-23	2023-24	2024-25
First-time Freshman Applications Received	9,011	9,984	9,856	9,501	10,137
First-time Freshman Applications Accepted	6,164	6,634	5,646	5,906	6,249
Undergraduate Acceptance Ratio	68.4%	66.4%	57.3%	62.2%	61.6%
First-time Freshman Applicants Enrolled	1,370	2,095	1,510	1,537	1,391
Undergraduate Matriculation Ratio	22.2%	31.6%	26.7%	26.0%	22.3%
Full-Time Equivalent Enrollment					
Undergraduate	6,158	7,232	7,189	6,938	6,605
Graduate	2,563	2,935	2,808	2,513	2,473
Total FTE Enrollment	8,721	10,167	9,997	9,451	9,078

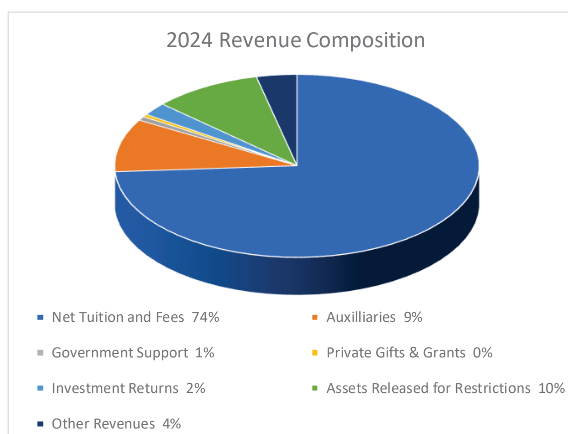


- Demand for the University's undergraduate programs has been stable over the last four years, averaging 9,870 applications annually since fall 2021. The 10% increase between fall 2020 and 2021 represented a post-pandemic rebound in applications.
- Total FTE enrollment was 9,078 in fall 2024, a 10.7% decline from the five-year high of 10,167 in fall 2021. While the University's Undergraduate Acceptance Ratio has been stable, averaging 63% over five years, the University's Matriculation Ratio has declined in each of the last four years, reflecting the highly competitive market for students. In addition to competition from regional college and universities, the New School competes with design and arts focused institutions such as Pratt Institute and the Rhode Island School of Design.
- Undergraduate enrollment represents just over 70% of total FTE enrollment, with the remaining students enrolled in graduate and professional programs such as law and business. Graduate enrollment has been stable in recent years.
- The New School's location in New York City (primarily Greenwich Village) is a competitive advantage that draws students both nationally and internationally. Approximately 83% of students are from out-of-state, including 39% from outside the United States.

Operations:

Selected Operating Statistics

(dollars in thousands)	2020	2021	2022	2023	2024
Total operating revenue	$426,420	$319,057	$476,538	$473,588	$444,082
Total operating expense	427,827	385,391	460,232	461,082	474,323
Change in net assets from operations	(1,407)	(66,334)	16,306	12,506	(30,241)
Total non-operating activities	(7,348)	50,143	(37,386)	13,911	20,091
Change in unrestricted net assets	(8,755)	(16,191)	(21,080)	26,417	(10,150)
Adjusted Operating Margin (DASNY 2023 Median: 1.3%)	0.6%	-19.0%	4.0%	3.4%	-5.3%
Adjusted Net Income Margin (DASNY 2023 Median: 2.6%)	-1.1%	-3.5%	-3.8%	6.4%	-0.9%
Annual Debt Service Coverage (DASNY 2023 Median: 2.2:1)	1.6	-0.4	1.9	2.1	0.8



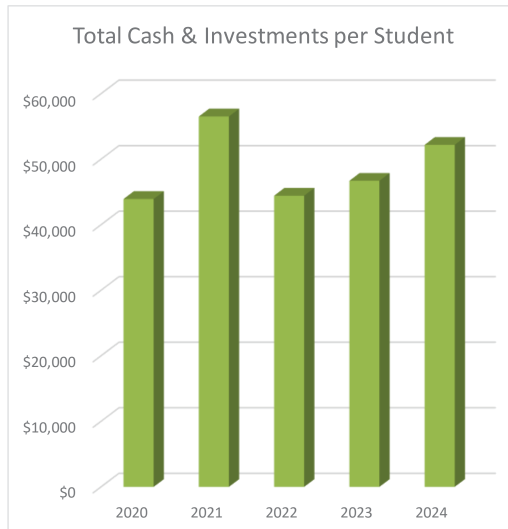
- Following a significant decline in revenues during fiscal years 2020 and 2021 due to lower enrollment during the pandemic, the University returned to operating profitability in fiscal years 2022 and 2023 due to increased net tuition revenue and auxiliary revenue.

- Fiscal year 2024 results were negatively impacted by lower net tuition and fee revenue and lower auxiliary revenue. A large portion of the decline in net tuition and fee revenue was due to a one-time tuition offset of approximately $11 million to compensate students continuing their studies during fall 2023 for a strike by part-time faculty during November 2022 that lasted 25 days. Auxiliary revenue was negatively impacted by a residence hall that was temporarily closed for renovation.
- For fiscal year 2021, the operating loss of $66.3 million was driven by a combination of lower net tuition revenue due to lower enrollment and increased financial aid in fall 2020 as well as a decrease in auxiliary revenue due to the University's decision to utilize remote learning for the fall 2020 and spring 2021 semesters.
- Despite the disruptions in 2021 and 2024, Net Tuition per Student has been fairly stable over five years, averaging $33,126 per student. The University's Tuition Discount averaged 32.5% during that time.
- The New School relies on tuition and fees and other student related revenue. Tuition and fee revenue plus auxiliary revenue have averaged 82% of total revenues over the last five years. The University has not relied on its endowment to fund operations and recently lowered its endowment spending from 4.5% to 4%.

Balance Sheet:

Selected Financial Position Statistics

(dollars in thousands)	2020	2021	2022	2023	2024
Total Assets	$1,320,226	$1,686,850	$1,712,367	$1,706,553	$1,695,897
Total Liabilities	754,034	1,091,100	1,152,339	1,116,363	1,095,472
Net Assets					
Unrestricted	352,195	336,004	314,924	341,341	331,191
Temporarily Restricted	98,883	138,540	120,093	122,904	138,526
Permanently Restricted	115,114	121,206	125,011	125,945	130,708
Total Net Assets	$566,192	$595,750	$560,028	$590,190	$600,425
Long-Term Debt	$585,905	$573,282	$698,342	$687,418	$673,435
Total Cash & Investments to Operating Expenses (DASNY 2023 Median: 1.7:1)	1.0	1.3	1.0	1.0	1.0
Total Cash & Investments to Total Debt (DASNY 2023 Median: 2.2:1)	0.7	0.5	0.4	0.4	0.5
Total Cash & Investments per Student	$43,940	$56,533	$44,437	$46,718	$52,198



- The New School's financial resources have grown over five years, despite challenges related to the University's operations. Cash and Investments increased by $55.5 million, or 12.7%, over five years, mainly due to investment appreciation. Financial resources have also been bolstered by the sale of midtown Manhattan real estate as part of the University's campus consolidation to a more centralized location, the net proceeds of which are invested in the endowment. The New School continues to hold significant marketable Manhattan real estate, including residential and office buildings.
- Overall, total net assets increased from $566.2 million at fiscal year-end 2020 to $600.4 million at fiscal year-end 2024.
- While capital spending has slowed in recent years, the University's balance sheet remains highly leveraged following a decade of substantial capital investment. Total Cash & Investments to Debt averaged 0.5:1 annually over five years (DASNY median: 2.2:1) while Debt Service to Operating Expenses averaged 8.0% (DASNY Median: 3.8%).
- In addition to annual debt service related to its long-term debt, the University leases various dormitory, classroom, and office space. Rental expense under operating leases has decreased over time as programs have been moved out of leased space and into the University Center and other University owned facilities. During fiscal year 2021 the University adopted new lease accounting standards which recognizes lease liabilities and corresponding right-of-use assets on the balance sheet. As a result, the University reported $413 million in lease liabilities and $386.1 million in right-of-used assets beginning with fiscal year-end 2021.

Summary

- The Board is being asked to adopt the necessary documents for the New School financing. Squire Patton Boggs LLP and Holley & Pearson-Farrer LLP, co-bond counsel, will provide the Board with an overview of certain bond document provisions at the January 15, 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.

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