



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

Handwritten initials "SCS" in a circle, likely representing Sara E. Stein.

DATE: January 7, 2025

RE: *State Environmental Quality Review (SEQR) Determination* for the Royal Charter Properties – East, Inc.’s *2025 Refinancing and Refunding Project (Housing and Health Facilities Program)* – New York County, New York

Description of Proposed Action and Proposed Project. Royal Charter Properties – East, Inc. (“RCPE” or the “Institution”), has requested financing from the Dormitory Authority of the State of New York (“DASNY”) for its *2025 Refinancing and Refunding 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 \$200,000,000 with maturities not to exceed 20 years, to be sold at one or more times through a private placement on behalf of RCPE, pursuant to DASNY’s *Housing and Health Facilities Program*.

More specifically, the proceeds of the bond issuance would be used to refinance the New York City Housing Development Corporation’s Multi-Family Rental Housing Revenue Bonds (RCPE Project) Series 2005A (approximately \$73.7 million). The Series 2005 Bonds refunded prior bonds that originally financed the construction of the Helmsley Tower, a mixed-use facility located at 1320 York Avenue in Manhattan that provides housing for personnel of The New York and Presbyterian Hospital (the “Hospital”).

The proceeds would also be used to refund DASNY’s RCPE Revenue Bonds, Series 2006A (approximately \$114.4 million). The Series 2006 Bonds financed the construction of the Coleman Tower located at 1330 First Avenue in Manhattan, which also provides housing for personnel of the Hospital.

About the Institution. RCPE was incorporated in 1983 under the New York State not-for-profit corporation law for the purpose of acquiring and holding direct and indirect interests in real estate. The Institution provides residential housing, office space, and parking to the Hospital and its related organizations and their employees primarily for the Helmsley Tower, the Coleman Tower, and the Payson House, as described below. RCPE is a

membership corporation, for which membership consists of the members of The New York-Presbyterian Foundation, Inc., who are also trustees of the Hospital.

The Helmsley Tower is a 36-story, approximately 595,000-gross-square-foot (“gsf”) mixed-use facility with 495 residential units that are utilized for housing personnel of the Hospital and 120 guest facility rooms that are used by families of patients of the Hospital. The Helmsley Tower also provides space for the Weill Cornell Internal Medicine Associates and space for clinical services including primary care, pediatric dental services, other pediatric and women’s health programs, adult internal medicine, and an opioid treatment program. The Coleman Tower is a 20-story, approximately 354,000-gsf residential facility with 343 units for housing personnel of the Hospital. The Payson House is a 35-story, approximately 390,000-gsf residential facility with 376 residential units and is also used for employee housing for the Hospital.

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 the “...*refinancing of existing debt*,” which is a Type II action as specifically designated by 6 *N.Y.C.R.R.* § 617.5(c)(29) of SEQR. 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.*”¹ 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.

Attachment

cc: Dena T. Amodio, Esq.
Matthew Bergin
SEQR File
OPRHP File

¹ 6 N.Y.C.R.R. § 617.5(a)



Transaction Report – Single Approval

Royal Charter Properties-East, Inc. - New York, New York

January 7, 2025

PROGRAM:

Housing and Health Facilities

PURPOSE:

Refinancing

Refunding

NOT TO EXCEED AMOUNT:

\$200,000,000

NOT TO EXCEED TERM:

20 Years

INTEREST RATE TYPE:

Fixed and/or Variable

BOND TAX STATUS:

Tax-Exempt and/or Taxable

SALE TYPE:

Private Placement

RATINGS: NR/NR/NR

SECURITY:

Assignment of Master Lease and Rental Revenues and a Standby Letter of Credit

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 \$200,000,000 with maturities not to exceed 20 years to be sold at one or more times through a private placement.

Financing Team:

- Co-Bond Counsel – Hawkins Delafield & Wood LLP and McGlashan Law Firm, P.C.
- Purchaser – Mizuho Capital Markets, LLC
- Placement Agent – FMS Bonds Inc.
- Swap Advisor - PFM

Purpose:

- Refinancing the New York City Housing Development Corporation’s Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project) Series 2005A (\$73.7 million).
- Refunding DASNY’s Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (\$114.4 million).

Security:

- Assignment of master lease and rental revenues.
- Standby letter of credit.

Description of the Bonds:

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

Financing Details:

Refinancing: Proceeds from the proposed issuance are expected to refinance the New York City Housing Development Corporation’s Multi-Family Rental Housing Revenue Bonds (Royal Charter Properties-East, Inc. Project) Series 2005A (the “Series 2005 Bonds”), in the amount of approximately \$73.7 million. The Series 2005 Bonds refunded prior bonds which originally financed the construction of the Helmsley Tower, a mixed-use facility that also provides housing for personnel of The New York and Presbyterian Hospital (the “Hospital”).

Refunding: Proceeds from the proposed issuance are also expected to refund DASNY’s Royal Charter Properties-East, Inc. Revenue Bonds, Series 2006A (the “Series 2006 Bonds”), in the amount of approximately \$114.4 million. The Series 2006 Bonds financed the construction of the Coleman Tower which provides housing for personnel of the Hospital.

Both the Series 2005 Bonds and the Series 2006 Bonds (the “Current Bonds”) are currently variable rate bonds in the weekly mode each supported by credit enhancement instruments issued by the Federal National Mortgage Association (“Fannie Mae”). This

financing would enable Royal Charter Properties-East, Inc. (the “Institution” or “RCPE”) to refund/refinance out of the Fannie Mae program providing flexibility through the release of the mortgages.

As successor to the New York State Medical Care Facilities Finance Agency, DASNY is able to issue bonds and loan the proceeds to RCPE under the MCFFA Act, which authorizes MCFFA to finance non-profit housing and health facilities. Pursuant to this statutory authorization, DASNY can make a loan to a nonprofit company incorporated for the purpose of providing housing for staff members, employees, students or users of a hospital, health, or health related facility and their immediate families.

It is anticipated that the proposed issuance will be sold through a private placement to Mizuho Capital Markets, LLC, a Qualified Institutional Buyer. In order to satisfy the requirements of the provision of the MCFFA Act under which the bonds will be issued, Mizuho Capital Markets, LLC will also issue a standby letter of credit securing the bonds which in turn will be guaranteed by Mizuho Bank, Ltd. The letter of credit will secure repayment of the full principal amount of the bonds plus the required number of days of interest coverage.

The bonds are expected to be issued as fixed rate and swapped to variable rate as RCPE desires to continue its variable rate exposure that it has with its Current Bonds. RCPE has engaged PFM as its swap advisor on the transaction. RCPE has interest rate cap agreements with regard to its Current Bonds and will keep these in place for the proposed issuance. The interest rate cap agreements expire contemporaneously with the 30-year maturity of the Current Bonds (2035 and 2036, respectively). Subject to tax law constraints, RCPE is considering an extension of maturity of up to 8.25 years and a deferral of principal of up to 5 years. Therefore, unless an additional interest rate cap is purchased, RCPE will have variable rate exposure after November 2036. With regard to the deferral of principal for up to 5 years, this will allow RCPE to focus on routine capital maintenance that has been deferred due to Fannie Mae restrictions. It is expected that the security for the bonds will include an assignment of the master lease between RCPE and the Hospital with regard to the Helmsley Tower. It is also expected that if RCPE fails to pay debt service, the Hospital will be required to pay any deficiencies.

Sources and Uses: Bond proceeds of approximately \$188.1 million are expected to be used for the payment of the redemption price and mandatory tender price of the refunded and refinanced bonds, respectively. Costs of Issuance are estimated at \$800,000. Below is an estimated Sources and Uses of funds for the proposed financing. Accordingly, the Board is being asked to approve an amount not to exceed of \$200 million.

Sources of Funds:	
Bond Proceeds	
Par Amount	\$ 188,945,000
Total Sources	\$ 188,945,000
Uses of Funds:	
Payment of Redemption Price and Mandatory Tender Price	\$ 188,145,000
Costs of Issuance	800,000
Total Uses	\$ 188,945,000

Approvals

TEFRA Hearing – 12/30/2024 SEQR Filing – 1/13/2025 (anticipated) PACB Approval – 1/29/2025 (anticipated)

Borrower Overview

RCPE was incorporated in 1983 under the New York State not-for-profit corporation law for the purpose of acquiring and holding direct and indirect interests in real estate. The Institution is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Institution provides residential housing, office space, and parking to the Hospital and its related organizations and their employees primarily through the Helmsley Tower, the Coleman Tower, and the Payson House as described below. The Institution is a

membership corporation, for which membership consists of the members of The New York-Presbyterian Foundation, Inc., who are also trustees of the Hospital.

The Helmsley Tower is a 36-story, 595,000 square foot mixed-use facility with 495 residential units that are utilized for housing personnel of the Hospital and 120 guest facility rooms that are used by families of patients of the Hospital. The Helmsley Tower also provides space for the Weill Cornell Internal Medicine Associates and space for clinical services including primary care, pediatric dental services, other pediatric and women’s health programs, adult internal medicine and an opioid treatment program. The Coleman Tower is a 20-story, 354,000 square foot residential facility with 343 units for housing personnel of the Hospital. An additional asset of the Institution is the Payson House, which is a 35-story, 390,000 square foot residential facility with 376 residential units and is also used for employee housing for the Hospital.

RCPE is the sole member of RCP-East LLC, a New York liability company that owns and manages the Coleman Tower which was financed with the proceeds of the Series 2006 Bonds. RCP-East LLC was created to isolate, at the LLC-subsiary level, any liability risk associated with the construction of the Coleman Tower. As RCP-East LLC is a wholly owned subsidiary of RCPE, RCP-East LLC is included in the accompanying statement of activities and balance sheet on the following pages.

Financing History:

DASNY has issued two series of bonds on behalf of RCPE totaling approximately \$171.4 million. As of December 31, 2024, approximately \$114.4 million in DASNY debt issued on behalf of RCPE remained outstanding (the Series 2006 Bonds) which is the subject of the refunding.

Operations:

Statement of Activities (000's)	2019	2020	2021	2022	2023
Operating revenue:					
Rental Income	71,224	69,230	60,908	67,030	77,684
Investment income	891	238	19	590	2,608
Total operating revenue	\$ 72,115	\$ 69,468	\$ 60,927	\$ 67,620	\$ 80,292
Operating expense:					
Salaries and benefits	\$ 12,276	\$ 12,351	\$ 12,885	\$ 13,530	\$ 13,581
Supplies and services	10,752	10,913	11,926	14,004	16,541
Depreciation	9,941	10,114	10,329	8,665	7,038
Interest expense and amortization	6,058	3,861	2,712	4,956	8,988
Total operating expense	\$ 39,027	\$ 37,239	\$ 37,852	\$ 41,155	\$ 46,148
Operating Profit/(Loss)	\$ 33,088	\$ 32,229	\$ 23,075	\$ 26,465	\$ 34,144
Net non-operating activities	(32,867)	(30,529)	(21,583)	(23,390)	(35,392)
Total Net Income/(Loss)	\$ 221	\$ 1,700	\$ 1,492	\$ 3,075	\$ (1,248)
Net Operating Margin	45.9%	46.4%	37.9%	39.1%	42.5%
Debt Service Coverage Ratio	4.71	4.39	3.73	3.25	2.95

- For fiscal year 2023, RCPE reported operating revenues of \$80.3 million and an operating surplus of \$34.1 million resulting in a net operating margin of 42.5%. Through nine months ended, September 30, 2024, RCPE recorded \$62.1 million of operating revenue and an operating surplus of \$26.5 million. These figures were slightly better than the comparative period of nine months ended, September 30, 2023.
- As portrayed above, rental income comprises nearly all of the operating revenue while in recent years, approximately two-thirds of the operating expenses are driven by salaries and benefits and supplies and services.



- The Institution’s operations were negatively impacted by the COVID-19 pandemic in 2021 as operating revenue declined as a result of the pandemic.
- The Institution’s total non-operating activities are driven by the transfers to its affiliate (The New York and Presbyterian Hospital) which have averaged approximately \$28.8 million over the last five-year period. The Institution’s certificate of incorporation states that all income collected, less expenses incurred and reasonable reserves, is to be distributed to The New York and Presbyterian Hospital or other related parties as determined by the Institution’s Board of Directors.
- Over the last five-year period, the Institution’s net operating margin has averaged 42.4% as its operating revenues have consistently exceeded its operating expenses.
- During this same period, the Institution’s debt service coverage ratio has averaged 3.81 as the income available to pay debt service has consistently exceeded its annual debt service.

Balance Sheet:

Balance Sheets (000's)	2019	2020	2021	2022	2023
ASSETS					
Current Assets	\$ 72,358	\$ 80,506	\$ 79,753	\$ 77,209	\$ 73,688
Non-Current Assets	147,292	139,660	132,869	129,948	126,667
TOTAL ASSETS	\$ 219,650	\$ 220,166	\$ 212,622	\$ 207,157	\$ 200,355
LIABILITIES AND NET ASSETS					
Current Liabilities	\$ 12,436	\$ 21,471	\$ 20,147	\$ 19,142	\$ 21,939
Long Term Liabilities	218,931	208,712	201,000	193,465	185,114
TOTAL LIABILITIES	\$ 231,367	\$ 230,183	\$ 221,147	\$ 212,607	\$ 207,053
Net Assets (Deficit):					
Unrestricted	\$ (11,717)	\$ (10,017)	\$ (8,525)	\$ (5,450)	\$ (6,698)
TOTAL NET ASSETS	\$ (11,717)	\$ (10,017)	\$ (8,525)	\$ (5,450)	\$ (6,698)
TOTAL LIABILITIES AND NET ASSETS	\$ 219,650	\$ 220,166	\$ 212,622	\$ 207,157	\$ 200,355
Current Ratio	5.82	3.75	3.96	4.03	3.36

- Total assets of the Institution are largely made up of cash and cash equivalents and property, buildings and equipment (net of depreciation). Together, these make up over 85% of the total assets of the Institution while long-term debt makes up over 90% of the total liabilities.
- As portrayed above, the Institution has continuously posted an unrestricted net deficit. This is mainly the result of the fact that the book value of its real estate is considerably less than its market value especially in relation to the long-term debt outstanding. This inverse relationship (understated value of the real estate asset to long-term debt outstanding) results in the net asset deficiencies stated above.
- Over the last five-year period, the Institution’s current ratio has averaged 4.18 as its current assets have consistently exceeded its current liabilities.

Recommendation

- The Board is being asked to adopt the necessary documents for the Royal Charter Properties-East, Inc. financing. Hawkins Delafield & Wood LLP and McGlashan Law Firm, P.C., co-bond counsel, will provide the Board with an overview of certain bond document provisions at the January 15th, 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.