

# **Bond Case Briefs**

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## **NYC's Elite-School Debt Boom Swells as Brearley Seeks to Borrow.**

The Brearley School is poised to join the borrowing boom among New York City's elite prep schools. The all-girls academy, whose alumnae include Caroline Kennedy and actress Kyra Sedgwick, won approval Tuesday from a city agency to sell \$50 million of tax-exempt bonds to help finance an expansion on Manhattan's Upper East Side.

New York's private schools are moving toward selling record amounts of debt this year as endowments swell and interest rates are at generational lows. They're replacing decades-old buildings and dangling the latest amenities to draw the children of the wealthiest, mirroring what's been happening on college campuses. Brearley's tuition is \$43,680 a year.

"Money is available," said Richard Anderson, president of the New York Building Congress, a construction trade group that's been tracking spending by schools. "If Columbia and NYU can raise money, then Collegiate and Packer and Brearley and all these other places can raise money, too."

Bond sales by New York's private and religious schools may exceed the almost \$280 million issued in 2002, the highest on record, according to data compiled by Bloomberg.

Riverdale Country School, Saint Ann's School and La Scuola d'Italia Guglielmo Marconi have received permission to borrow a total of almost \$150 million through Build NYC Resource Corp., the economic-development unit that authorized Brearley's sale. Ethical Culture Fieldston School and Packer Collegiate Institute have already sold a combined \$71.4 million of debt this year.

### **Half-Century Low**

The schools are seizing on municipal borrowing costs holding close to a five-decade low. When Fieldston sold \$49.4 million bonds in April, it paid yields of 2.8 percent on 10-year tax-exempt debt, about 0.7 percent more than benchmark securities.

Brearley, founded in 1884, plans to spend \$107.5 million to raze three tenements and replace them with an eight-to-10 story facility. The building will house its lower school, science and music departments, an auditorium and a gym, according to its application with the city. With 700 students from kindergarten through the 12th grade, Brearley says it's outgrown its building on East 83rd Street, which was constructed in 1929 for 440.

"For the past 20 years, Brearley has been thoughtfully searching for the best way to add badly-needed educational space to accommodate its student body," Rahul Tripathi, the school's chief financial officer, said in an e-mailed response to questions.

### **Schools Repay**

The prep schools are responsible for repaying investors, who are willing to accept lower yields because the income isn't taxed. Build NYC receives fees for arranging the sales. It isn't on the hook

if they default.

Like other New York private schools, Brearley has ties to Wall Street. Ellen Jewett, a former Goldman Sachs Group Inc. public finance banker, is president of the board. Other members include Samara Epstein Cohen, head of financial instruments at BlackRock Inc.

In addition to the bond money, Brearley plans to use \$37.5 million from a capital campaign and \$20 million from its \$132.5 million endowment to fund construction, which is projected to start in Feb. 2017.

The school bought three tenements a block away on East End Avenue in May 2010 and will demolish them to make room for the new facility.

In April, Brearley reached a settlement with 15 rent-stabilized tenants who agreed to leave their apartments, said David Rozenholc, a lawyer who represented them. Rozenholc declined to provide the size of the settlement, citing a confidentiality agreement.

“It involved a very substantial amount of money that they were comfortable doing, but they were fair,” Rozenholc said. “The tenants can go on with the rest of their lives and the Brearley School can build the Brearley School.”

## **Bloomberg**

by Martin Z Braun

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