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New York University Bond Sale Shows Hype Over STEM in City Real.

Cornell University, which is creating a technology campus on Roosevelt Island, isn't the only school spending millions for science and engineering facilities in New York City.

Columbia University borrowed \$50 million in April to finance the construction of a nine-story building that will house a brain-science institute. The City University of New York on May 20 opened a nanofabrication facility, where students and corporations can create extremely small devices, in its \$350 million Advanced Science Research Center. New York University joined the spending spree Wednesday, when it sold \$832 million of bonds for projects including a 365,000 square-foot medical-school building, an applied science center in Brooklyn and a nanoscience lab.

The bond sale, the biggest by a private university since 2010, draws NYU deeper into a nationwide higher-education push to invest in facilities for science, technology, engineering and math — or STEM — to prepare students for higher-wage jobs, attract faculty and boost their ability to commercialize research.

New York officials have encouraged the universities' expansion in the city, seeing it as a way to spur its technology industry and diversify the economy.

"New York State is playing a pivotal role in providing low-interest financing to support these preeminent universities and colleges," said Gerrard Bushell, the president of the Dormitory Authority of the State of New York, which is issuing the securities on behalf of NYU. "The rising scientific research facilities in New York City's core will diversify the economy as researchers make groundbreaking advances in medicine and technology."

Under former Mayor Michael Bloomberg, Cornell and Technion-Israel Institute of Technology were awarded land on Roosevelt Island and \$100 million for infrastructure improvements to build an applied sciences and engineering school that will encompass 1.3 million square feet by 2027. His administration in 2012 reached an agreement with NYU that provided \$15 million in subsidies for an applied sciences center in downtown Brooklyn that will focus on challenges facing cities, including infrastructure, energy efficiency, traffic, public safety and health.

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Universities, which can issue bonds in the tax-exempt market, are benefiting from borrowing costs that are holding near five-decade lows. Columbia, which has a AAA credit rating, issued 10-year tax-exempt bonds last month for a yield of 1.67 percent.

NYU's tax-exempt bonds maturing in 2043 were priced with a yield of 2.91 percent. Ten-year bonds yielded 1.91 percent, or 0.27 percentage point more than top-rated bonds with the same maturity. NYU also sold \$247 million of taxable debt.

The securities have also paid off for investors: Municipal bonds for educational institutions have

returned 3.02 percent this year, 0.35 percentage point more than the overall municipal market, according to Standard & Poor's indexes.

NYU's bonds, which are backed by university revenue, are rated Aa3 by Moody's and AA- by S&P Global Ratings, the fourth-highest grades. About \$450 million of bond proceeds will be used to repay lines of credit that financed construction.

With about 47,700 students, NYU has transformed itself in a generation from a regional school to an international research university with a global "brand," according to Moody's. The university established degree-granting campuses in Abu Dhabi and Shanghai as well as centers in 11 other cities, including London, Paris, Madrid, Sydney, Buenos Aires, and Tel-Aviv.

It has also used its New York location to attract homegrown and foreign students. International students make up 17 percent of NYU's undergraduate enrollment, up from 6 percent in 2008, according to Moody's.

"Parents are more likely to send their children to come to college in New York because it's safer than it was 15, 20 years ago," said S&P analyst Carolyn McLean.

NYU's full-time enrollment has grown more than 20 percent in the last four years and is one of the largest private universities in the U.S. At about \$65,000, NYU's tuition, room and board is among the highest in the country.

Because building in Manhattan is expensive, NYU has also borrowed more than its peers. With this week's issuance, NYU's debt will reach about \$3.3 billion, not including another \$2 billion for its hospital system. It's moving ahead with a \$2 billion expansion plan at its Greenwich Village campus that has angered local residents.

NYU has about \$1.4 billion of expendable resources, which is equal to about 40 percent of its debt, a low level compared to its peer group and rating, according to S&P.

"If you're in the rural Midwest the cost of building a science building is way less than buying up a block in Soho," said McLean.

Bloomberg Technology

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June 1, 2016 — 2:00 AM PDT Updated on June 1, 2016 — 1:53 PM PDT