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FOR INFORMATION

NEW YORK CITY  
EDUCATIONAL  
CONSTRUCTION FUND

250 BROADWAY  
NEW YORK 10007

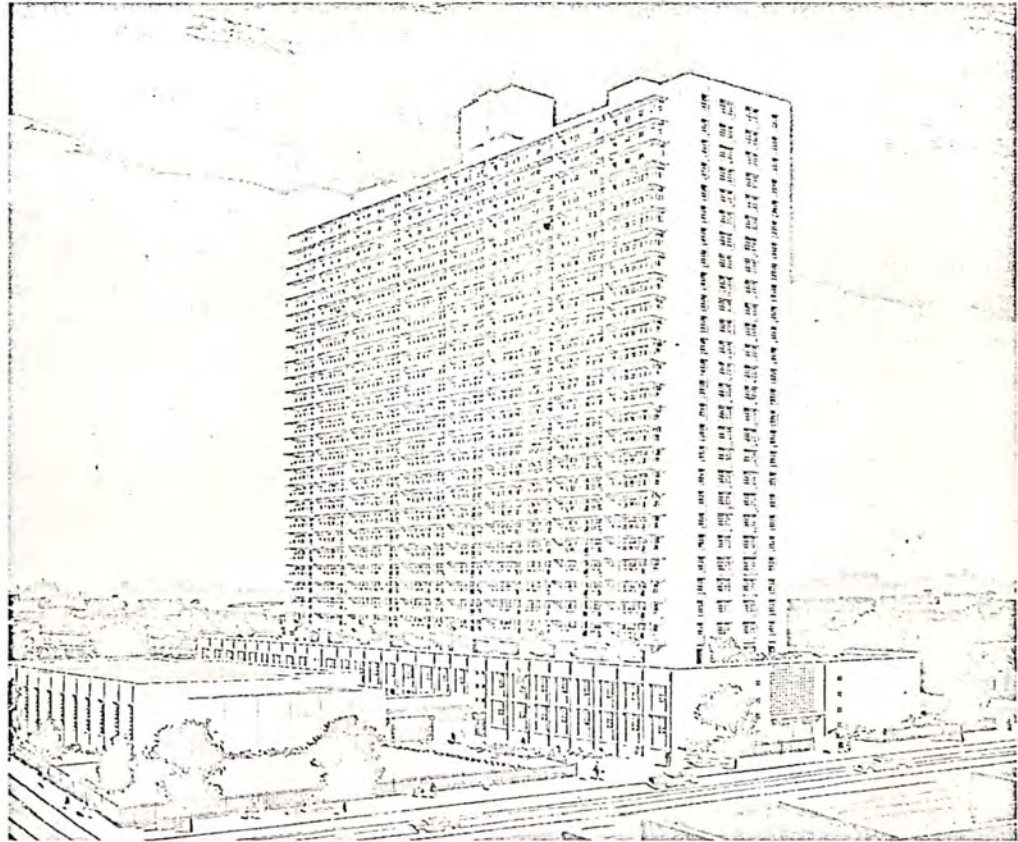
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ATLANTA, GEORGIA



*Brown Guenther Battaglia Galvin, Architects*

P.S. 126 AND HIGHBRIDGE HOUSE – This facility, the first in the Fund's program, combines an elementary school for 1,411 children with 400 apartments for middle-income families in the Bronx.

## THE AGENCY

The Fund is the first agency of its kind in the country authorized to finance public schools in combined-occupancy structures. Although its purpose is new, it is a traditional form of government institution established to finance public and quasi-public facilities.

The rapid increase in the number of public benefit corporations in urbanized states like New York during the past twenty years has paralleled the need for increased capital construction at costs exceeding limitations on public debt. Similarly, New York City's fiscal limitations, together with its need for school construction, generated the creation of the Educational Construction Fund.

The concept was developed by Lloyd K. Garrison while he was President of the Board of Education. He saw the public benefit corporation as an appropriate vehicle to serve both the City and the school system. With a grant from the Taconic Foundation to underwrite research and bill drafting, he initiated the action that subsequently won the endorsement of Governor Rockefeller and Mayor Lindsay and the support of the Legislature during the 1966 session.

The Fund is headed by the President of the Board of Education who is designated by law as Chairman. Four additional members of the Board of Education, appointed by the President, serve the Fund during their terms of office on the Board. Four trustees, appointed by the Mayor, serve terms set initially at two, three, four or five years. Their successors will all serve for five years.

The present trustees bring to the direction of the Fund's development and finance operations a combined background in all areas essential to the success of this new venture—education, housing, labor, commerce and finance.

## THE DEVELOPMENT PROGRAM

The Fund is expected to provide a substantial portion of the City's school construction program from now on.

Combined-occupancy structures built under this program will be owned jointly by the Fund and the developer. The Fund will finance and own the land and the school. The developer will finance and own the facilities above the school. The two portions of the combined-occupancy building will be designed and constructed as a single project.

The Fund's activities generally start with a site designated by the Board of Education for a new school. They include developing appropriate concepts for combined use of these sites, promoting developer interest in undertaking construction, and coordinating with the Board of Education during the design and construction of the school. Local School Boards will be consulted, and all combined-occupancy structures will be approved by the Board of Education as well as by the Fund, thus assuring that the program directly serves the school system.

The Fund hopes to attract as sponsors qualified persons and organizations interested in participating in the program, including community and other non-profit groups.

School sites already owned or being acquired by the City will be publicly advertised by the Fund if suitable for the development of combined-occupancy structures. Proposals for these sites will be invited from potential sponsors and developers. In addition to information describing the site, the Board of Education's requirements for each school will be made available for the preparation of a proposal.

Evaluation of the proposals will be based on several criteria, including the compatibility of the non-school use, the income to be derived therefrom, and the financial ability and experience of the applicants.

Proposals from potential developers who either own or have a legal interest in a site may be considered on a negotiated basis. These proposals would have to meet the same standards of feasibility and developer qualifications as those received through public invitation. In addition, the Fund may consider, in rare instances, negotiated proposals from developers who have incurred considerable costs in developing imaginative design or novel use concepts for a

combined-occupancy building. In accepting either type of proposal, the Fund will be governed by the public interest.

Eventually, ownership of the site and the school portion of the combined-occupancy structure reverts to the City. Air rights to the non-school portion will be leased or sold to the developer.

The developer will have full responsibility for the construction of the school as well as the non-school portion of the building. Although the three major subcontractors (plumbing; heating, ventilating and air conditioning; electric work) will be selected by public bidding, as required by law, instead of by the informal negotiation usual in private work, the winning bidders will be made responsible to the general contractor or developer. The major advantage of a single construction contract has thus been preserved by establishing a single responsibility for the timely and satisfactory completion of the work.

## THE FINANCING PROGRAM

The Fund will sell tax-exempt bonds and bond anticipation notes to finance site and construction costs of schools built under its program. The developer will independently finance his portion of the combined-occupancy structure, using either conventional or government sources of mortgage money.

The Fund's bonds are expected to be highly marketable at a favorable rate because of an unusual security feature. In addition to a capital reserve fund to cover debt service for any succeeding year on all outstanding bonds, as is customary for public benefit corporations, the law authorizes a first lien on State aid to New York City for the support of the public school system. A call on State aid would be made only in the improbable event that the capital reserve fund should at some time be insufficient to meet debt service and the City did not replenish it to the amount required. However, the provision assures at all times the solvency of the Fund and the security of its bonds.

Debt service on the Fund's notes and bonds will be paid from income. There will be three sources:

1. *Payments for the sale or lease of air rights*

The Fund will receive from the developer an annual payment, based on fair market value, for the sale or lease of the air rights over the school.

2. *Payments in lieu of taxes*

Instead of paying real estate taxes to the City, the developer will make equivalent payments to the Fund for a period of time not less than the period of the serial bonds issued to finance site and construction costs of the school.

3. *Rentals for the schools*

This payment is expected to be nominal for the majority of schools built in combined-occupancy structures. Whenever the income from the disposition of air rights and payments equivalent to real estate taxes are sufficient to cover debt service and the Fund's administrative costs, there will be no need for additional income. School rentals will be required only for those structures that cannot make sufficient payments to cover debt service, such as tax-exempt public facilities and certain kinds of non-profit housing.

The bonds to be issued by the Fund are limited to 40-year maturities, and the notes to 5-year maturities. They are legal investments for all organizations authorized to buy the State's bonds or other obligations, such as public bodies, trust and insurance companies, banks and fiduciaries.

## THE RESULTS

The major portion of the program is expected to provide new schools at little or no cost to the City. Most residential and commercial structures are expected to yield enough income to permit a school rental of \$1 a year. Some will even yield a surplus, which can be used for the construction of additional schools or turned over to the City.

Some combined-occupancy structures will probably be built to meet the City's social needs despite their inability to produce enough income to pay all of the debt service—those providing moderate-rent housing, for example. In these instances, school rentals will be no higher than the annual cost of a comparable new school.

The Fund has been designed for considerable flexibility in its operations. Because a wide variety of commercial, public, social and residential uses can be accommodated in combined-occupancy buildings, many sections of the City offer appropriate sites. Combined use is adaptable to small structures that can blend into existing, cohesive communities. It is also applicable on a large scale to major redevelopment areas, including urban renewal and Model Cities projects. It can become one of the City's important planning tools during the next decade to create economic, social and physical renewal while carrying out its prime purpose of creating additional schools.

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