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Second Party Opinion


Build NYC Resource Corp. Revenue Bonds (East Harlem Scholars Academy Charter School Project) Series 2022 Social Bonds

Nov. 18, 2022

East Harlem Scholars Academy (EHSA) Charter School owns and operates five charter schools at the campuses in the East Harlem neighborhood of New York City. EHSA was founded as an expansion of, and is operated in partnership with, the East Harlem Tutorial Program Inc. (EHTP), a non-profit whose mission has been to provide afterschool and multi-dimensional education support services for public school students since 1958. Over 1,000 students were enrolled at EHSA during the 2021-2022 academic school year, and EHSA and EHTP combined are on track to serve 25% of East Harlem students by 2025.

Build NYC Resource Corp., a non-for-profit local development corporation, will issue the Series 2022 bonds in the amount of \$72 million, the proceeds of which it will loan to East Harlem Scholars HS LLC (EH Scholars) and East Harlem Center LLC (EH Center); together with EH Scholars, the Borrowers. The Borrowers will use the proceeds to refinance construction loans related to the EHSA campus located at 2050 Second Avenue, New York, N.Y. (EHSA I Campus) and the new High School Facility, finance the remaining construction costs of the High School Facility, and cover transaction costs.

In our view, the Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with:

 Social Bond Principles, International Capital Market Association (ICMA), 2021

Issuer's Sustainability Objectives

EHSA shares EHTP's mission to offer its students a high-quality education, rooted in racial equity, with the goal of improving the educational and career outcomes for residents of East Harlem. EHSA and EHTP are dedicated to supporting economically disadvantaged students and those belonging to racial minority groups. They do this through both EHSA charter schools and EHTP academic support programs, which are available to public school students in the district.

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Second Party Opinion Summary


Use of proceeds

Alignment  The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

Score Not aligned Aligned **Strong** Advanced

The Borrowers commit to: exclusively use the net proceeds from the bonds issued under the transaction to reimburse funding related to the construction and refurbishing of the EHSA I Campus Facility and the new High School Facility; finance remaining construction of the High School Facility; fund a debt service reserve fund; fund capitalized interest; and pay transaction costs. The eligible projects align with the access to essential services and socioeconomic advancement and empowerment social categories set out in the Principles. The projects specified in the Preliminary Limited Offering Memorandum (PLOM) have clear social benefits that contribute directly to EHTP's and EHSA's missions and sustainability strategies.


Process for project evaluation and selection

Alignment  The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

Score Not aligned Aligned Strong **Advanced**


The Boards of EHTP and EHSA evaluate the financed charter school projects using criteria that incorporate state and market standards. The PLOM details the project evaluation processes, key internal teams, and the procedures in place to identify, manage, and mitigate perceived social and environmental risks associated with the eligible projects.

Management of proceeds

Alignment  The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

The PLOM indicates that the Borrowers will immediately apply a portion of the net proceeds to loan payoffs. As such, we do not view a commitment to temporarily manage or periodically adjust this portion of proceeds as necessary. The remainder of the proceeds will be deposited into a Project Fund held by the Trustee for the bonds (Series 2022 Trustee) and will be disbursed upon construction requisitions.

Reporting

Alignment  The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.


Score Not aligned **Aligned** Strong Advanced

The PLOM includes a report on the allocation of the social bond proceeds to the specific funded projects. This reporting includes the projects' details, in addition to actual impact metrics as described in the proceeding sections. Additionally, the Borrowers will have an independent third-party report on the allocation of the proceeds for the High School Facility.

Transaction Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

 The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced

We consider the Borrowers' overall use of proceeds commitments to be strong.


The Borrowers commit to allocating the proceeds toward refinancing existing construction loans and financing the remaining construction costs of the High School Facility, including required reserves and transaction costs.

EHSA charter schools provide a holistic, high-quality education, grounded in racial equity, to local students. EHSA gives admission preference to East Harlem students, many of whom are from economically disadvantaged backgrounds. EHSA's curriculum includes, among other topics, college and career counseling, extensive extracurricular activities, and academic support services.

In our view, the eligible projects provide a clear social benefit to the local community. We believe the eligible projects described in the PLOM span the themes of access to essential services and socioeconomic advancement and empowerment, which are the two eligible social categories identified by the Principles. These goals are supported by the improved educational outcomes provided by the projects. We also believe that the PLOM clearly describes how these eligible projects contribute to EHTP's and EHSA's core missions.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. Under our process for project selection and evaluation, we consider the commitments to, and clarity on, the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

 The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

Commitments score

Not aligned

Aligned

Strong

Advanced


The PLOM clearly communicates the process EHTP uses to evaluate projects for financing. The program selection and approval process is led by EHTP's Board of Trustees. Further, all EHSA facilities must abide by New York state regulations pertaining to charter schools.

The PLOM also describes the decision-making bodies involved in the approval process and overall management of EHTP's and EHSA's operations. Additionally, the individuals in the decision-making bodies possess relevant expertise, with backgrounds in education, non-profits, social work, and government.

EHSA's and EHTP's governance structures include procedures to identify and manage perceived social and environmental risks associated with the eligible programs. Moreover, EHTP and EHSA have procedures to identify mitigants to negative social and environmental impacts, including-- but not limited to--environmental site assessments, remediation, and community outreach and engagement.

Management of proceeds


The Principles require disclosure of the issuer's management of the proceeds from the sustainable finance instrument over the life of the funding. The alignment opinion focuses on how clearly the issuer's documentation commits to ensuring that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

 The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

The PLOM describes the processes used to manage and track the High School Facility construction budget and use of proceeds until full allocation. The Borrowers will immediately apply a portion of the net proceeds to pay off the High School Facility and EHSA I Campus Facility loans. As such, we do not view a commitment to temporarily manage or periodically adjust this portion of proceeds as necessary. The remainder of the proceeds will be deposited into a Project Fund held by the Series 2022 Trustee and will be disbursed upon construction requisition.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

 The Build NYC Resource Corp. Revenue Bonds Series 2022 are aligned with this component of the Social Bond Principles.

Disclosure score



We consider EHTP's overall reporting practices to be aligned.

The PLOM commits to report periodically on the allocation of proceeds until completion of construction. An independent third-party project management firm will also be responsible for monitoring the proceeds allocation and reporting on the construction budget and bond. We recognize this as a good practice.

EHTP and EHSA commit to reporting on a number of social outcomes on an annual basis, including metrics required by the state. These are: faculty and staff data; student demand data; student demographics; attendance data; and standardized test scores.



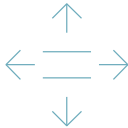


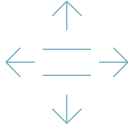
Although EHTP and EHSA do not commit to reporting estimated impacts, they do provide actual impact data on an annual basis. The key underlying methodologies and assumptions used to calculate certain quantitative performance measures are not clearly communicated. We view the disclosure of such methodologies as an industry best practice.

Mapping To The U.N.'s Sustainable Development Goals

The Sustainable Development Goals (SDGs), which the United Nations (U.N.) set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the ICMA's SDG mapping for this part of the report. We acknowledge that ICMA mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

The Build NYC Resource Corp. Revenue Bonds, Series 2022 Social Bonds intend to contribute to the following SDGs:

Use of proceeds/	SDGs		
Access to Essential Services	 *4. Quality education	 *8. Decent work and economic growth	 *10. Reduced inequalities
Socioeconomic Advancement and Empowerment	 *4. Quality education	 *8. Decent work and economic growth	 *10. Reduced inequalities

*The eligible project categories link to these SDGs in the ICMA mapping.

Second Party Opinion

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