FROM LEASING TO LEGACY

Building Pathways to Child Care Facility Ownership

Second Street Youth Center Case Study

Leah Cates, Executive Director Second Street Youth Center
Daniel Johnson, V.P. Commercial Relationship Manager Columbia Bank
Patrick Terborg , Managing Partner TD Partners
Monica Vir, Attorney | Shareholder | Executive Vice President Lindabury
Lakesha White, Business Banking Relationship Manger NJEDA

Why This Conversation Matters

High-quality early childhood education requires high-quality places in which children can learn and grow.

Many community-based providers face rising rents, aging facilities, limited capital, and little control over their space.

Facility ownership can create stability, equity, organizational control, and a lasting community asset.

Ownership is not simply about having a deed. It is about control, sustainability, equity, and legacy.

Featured Panelists

One journey — four professional perspectives

Leadership & Mission

Leah Cates — Executive Director, Second Street Youth Center

The organizational journey, board leadership, mission, persistence and sustainability

Financing, Development & Law

Daniel Johnson — Vice President, Commercial Lending, Columbia Bank

Patrick Terborg — TD Partners

Monica Vir — Attorney, Lindabury McCormick

Lakesha White- Business Banking Relationship Manager NJEDA

The SSYC Journey: From Tenant to Owner



The lease was not the destination — it became part of the pathway.

Phase 1 — Start With Vision, Not Financing

Ask First

What does our program need?

What does our community need?

What size facility can we sustain?

What regulatory and program requirements must the space meet?

SSYC's Facility

Approximately 25,000 square feet

14 classrooms

Multipurpose room and nurse's office

Playground and garden

Designed specifically for early childhood education

The children and families we serve deserve facilities equal to the quality of education we seek to provide.



Second Street Youth Center

Plainfield, NJ

25,000 SQ FT EARLY CHILDHOOD EDUCATIONAL CENTER

From Vision to Numbers — Modeling Affordability Early Patrick Terborg

Model Before You Commit

Build a high-level financial model during the visioning stage — before falling in love with a building

Determine what the center can afford in debt service or lease payments from operating cash flow

Let the model, not the building, set the size of the project

Engage a Developer Early

Test feasibility, realistic costs and project risk before making commitments

Define the mixed-finance model — no single source covers the full project cost

Combine bank or bond debt, state programs, philanthropy and equity

Fall in love with the financial model before you fall in love with the building.

Phase 2 — Build the Right Team Patrick Terborg and Leah Cates

Major capital projects require expertise beyond the nonprofit organization itself.

SSYC's development brought together public, private, philanthropic and financial partners.

Key roles include: developer, lender, attorney, government partners, tax-credit specialists, board leadership and funders.

Patrick Terborg: development process, site/project feasibility, construction risk and coordinating complex capital projects.

You do not have to know how to do everything. You have to know how to assemble the right team.

Phase 3 — Understand the Lease as a Strategic Document Monica Vir

SSYC moved into the new facility in 2018 — but remained a tenant for approximately eight years.

Leadership had to understand escalating occupancy costs, long-term obligations, purchase opportunities and ownership timing.

The legal documents governing a facility can shape an organization's future.

Monica Vir: lease terms, purchase rights, due diligence, title, tax issues, board authorization and closing requirements.

Never treat your lease as simply an operating document.

Lease provisions that create a path to purchase

Negotiate purchase rights before you need them. The lease is often your only leverage.

Type of right

- Option to purchase
- Right of first refusal
- Right of first offer

Terms to pin down

- Exercise window, notice method, and any deposit.
- Price: fixed, escalating, or appraised fair market value.
- Rent credits toward price, and a no-default condition to exercise.
- Financing and diligence periods after exercise.

Phase 3 — Understand the Lease as a Strategic Document

Lease provisions that create a path to purchase

Due diligence before you commit

Use a fixed diligence period with the right to terminate and recover your deposit.

Legal and title

- Title commitment: exceptions, easements, liens, and covenants.
- ALTA survey: boundaries, encroachments, and flood zone.

Physical and environmental

- Phase I assessment; test for lead paint, asbestos, radon, and lead in water.
- Soil conditions where children play outdoors.
- Structural, roof, HVAC, and ADA review.
- Fire and life safety, egress, and certificate of occupancy.

Financial

- Independent appraisal; repair and capital reserve budget.
- Total cost of ownership versus current rent.
- Grant, contract, and lender conditions on property use.

Phase 3 — Understand the Lease as a Strategic Document

Lease provisions that create a path to purchase

Tax issues to resolve early

Federal 501(c)(3) status does not by itself decide property or transfer tax treatment.

Property and transfer taxes

- Exemption is set by state and local law; it usually needs a separate application and a qualifying use.
- Confirm deadlines and mid-year treatment.
- Check reassessment on sale and transfer tax exemptions.

Federal exempt-organization issues

- UBIT: outside rentals or debt-financed property can create unrelated business income.
- Private benefit: a related-party seller requires fair market value support.

Financing tools

- Tax-exempt bonds, community development lenders, and New Markets Tax Credits.
- Each adds covenants, reporting, and closing costs.

Closing requirements and what follows

Build the closing checklist into the purchase agreement from the start.

Before closing

- Purchase agreement with financing, diligence, and title contingencies.
- Title commitment cleared; owner's and lender's policies.
- Loan documents: note, mortgage, environmental indemnity.
- Landlord estoppel and lease termination.

Entity deliverables

- Certified board resolutions and incumbency certificate.
- Good standing certificate and governing documents.
- Seller authority documents and required tax forms.

At closing

- Deed, closing statement, prorations, and recording fees.
- Insurance binders: property, liability, and flood if applicable.
- Record the deed and mortgage promptly.

After closing

- Notify the licensing agency; update address, occupancy, and insurance.
- File property tax exemption and state forms.

The Turning Point — Can We Afford NOT to Own?

Continuing to Lease

Escalating occupancy costs

Limited control

No real-estate equity

Long-term uncertainty

Ownership Opportunity

Stability and control

Building equity

Protecting SSYC's community presence

Creating an asset for future generations

The decision was not only financial. It was strategic, mission-driven and generational.

Organizational & Board Readiness

The board must understand the purchase price, financing structure and long-term debt service.

Leadership must model cash flow, operating costs, reserves, risks and future responsibilities of ownership.

Facility ownership cannot be separated from organizational sustainability.

Discussion prompt: What would have to be true for your organization to own its facility?

Identify your financial, organizational and external barriers — then identify a partner or solution for each.

Phase 4 — Financing the Dream Daniel Johnson and Lakesha White

SSYC Ownership Financing

Approximately $5.4 million tax-exempt bond financing

Approximately $1.875 million NJEDA direct loan

Additional philanthropic and partner support

What Lenders Evaluate

Audited financial statements and cash flow

Debt-service capacity and reserves

Management and board strength

Enrollment/revenue stability

Existing debt, collateral and projections

Do not wait until you find a building to become financially ready to own one.

Commercial Financing from Conventional Banks

Primary Qualifications for Bank Financing

Columbia Bank | Northfield Bank

Together For Better.

Payment Qualification – Historic financial reports (990 Tax Returns, Financial Statements) must illustrate sufficient cash flow to support proposed loan. Cash flow is net income plus depreciation and amortization expense plus historic rent expense. Debt Service Coverage Ratio of 1.10x ($1.10 of CF for every $1.00 of debt payments).

Collateral Coverage – Conventional loan limited to 75% LTV "loan to value"; ex.) $1,000,000 building allows for $750k in bank financing. If NJEDA provides subordinate financing (2nd mortgage), LTV up to 100% of Appraised value.

Equity Contribution – For conventional bank loans, borrower must inject 25% of acquisition costs. If NJEDA provides subordinate financing, borrower must inject at least 10% of total project costs.

Borrower Costs – Borrower responsible for Appraisal and Environmental Report costs, Attorney fees for both bank and borrower, Title Insurance premium, and Bank Commitment Fee.

Relationship – All commercial banks require full banking relationship of borrower including all checking and savings accounts held by borrower.

Commercial Financing driven by Relationship Banking

ABOUT THE NJEDA





NJEDA PROGRAMS

Solutions for Every Stage of Your Business

GRANTS

- E-Commerce Support
- Main Street Acquisition Support Grant

LOANS

- Small Business Fund
- Direct Loans
- Premier Lender Program
- NJ LEND
- Bond Financing

Flexible funding to help your business grow and succeed.

BUSINESS SUCCESS STORY

PREMIER LENDER PROGRAM

Early Childhood Education & Youth Center in North Jersey



AMOUNT OF BOND
$5,400,000

CURRENTLY ESTIMATED RATE
4.53%

TYPE OF BOND

Direct Purchase

BOND PURCHASER

Premier Lender Bank

TYPE OF BUSINESS

Non-profit Organization

PURPOSE OF LOAN

NJEDA financing allowed the organization to purchase a 25,000 square feet building.

TERMS

25-year term

INTEREST RATE STRUCTURE

Fixed interest rate, to be locked in a few days prior to closing, currently estimated at 4.53%. The rate will reset every 5 years at the 5-year treasury rate plus 250 basis points.

BOND FINANCING

Long-Term Financing for Major Projects

- MANUFACTURING
- HEALTHCARE
- EDUCATION
- GOVERNMENT FACILITIES

- LOWER INTEREST
- LONG-TERM FINANCING
- TAX ADVANTAGES

DIRECT LOANS

Grow Your Business in New Jersey

UP TO

$2 MILLION

REAL ESTATE | EQUIPMENT | WORKING CAPITAL

WHO QUALIFIES

- NJ-based business
- Commit to job creation/ retention
- 2 years in business

BEST FOR

- Expanding operations
- Purchasing equipment
- Buying property
- Working capital needs

KEY BENEFITS

- Low, fixed interest rates
- Long-term financing
- Local, flexible terms

Flexible funding to help your small business grow!

njeda.gov | @NewJerseyEDA

NJ EDA
ECONOMIC DEVELOPMENT AUTHORITY

MAIN STREET ACQUISITION SUPPORT GRANT

Help for Buying Your Building

UP TO

$50,000

TOWARD CLOSING COSTS

WHO QUALIFIES

- Purchase of commercial property in NJ
- Occupy at least 1,000 sq. ft.
- Small businesses

BEST FOR

- Entrepreneurs
- Expanding businesses
- Main Street revitalization

BENEFITS

- Reduce upfront costs
- Build equity
- Invest in your community

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NJ EDA
ECONOMIC DEVELOPMENT AUTHORITY

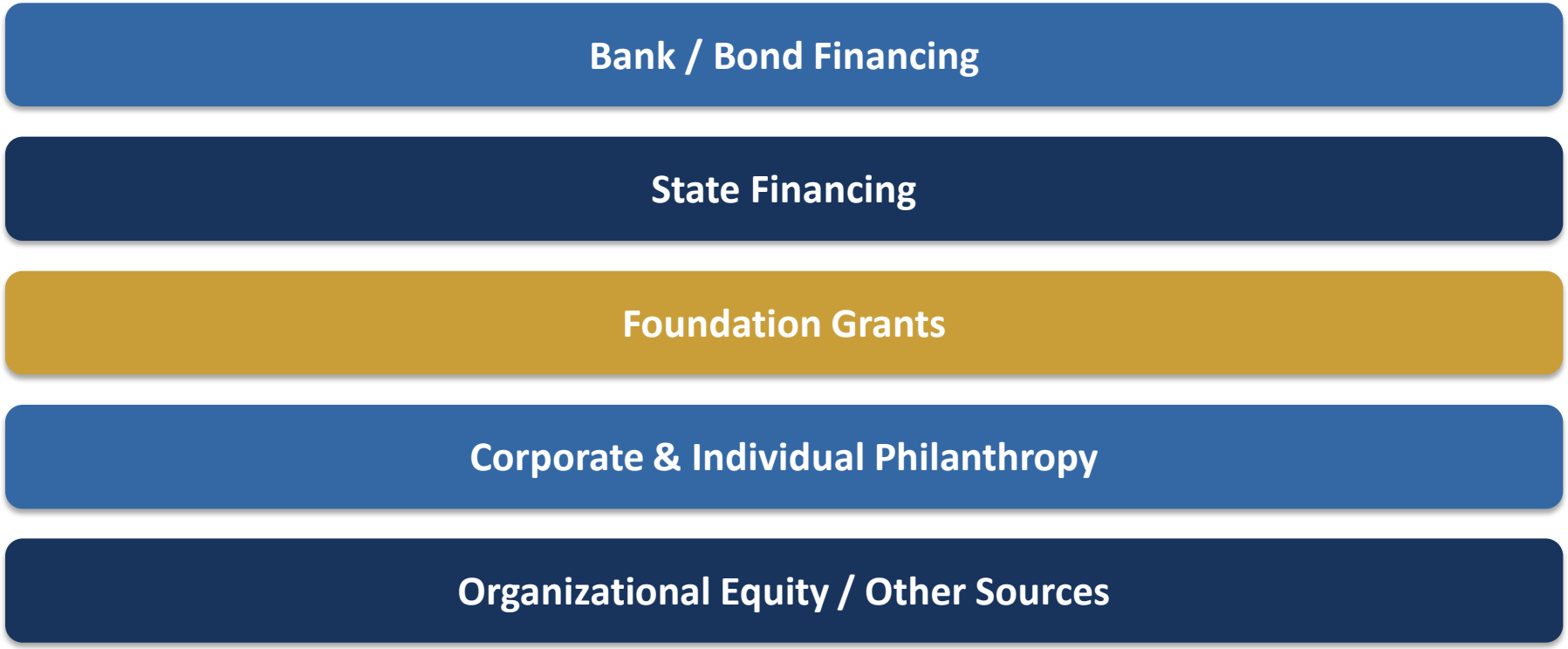
PREMIER LENDER

Participating Banks

NJEDA Premier Lenders are committed to supporting New Jersey's small businesses with financing and financial solutions.

- Bank of America Merrill Lynch
- First Commerce Bank — Banking Built for Community
- Newfield National Bank
- Santander
- Tri State Capital
- Blue Foundry Bank®
- Fulton Financial Corporation
- Northfield Bank
- Sturdy Savings Bank — Committed to Personal Service®
- Valley
- Century Savings Bank — Since 1865
- FirstBank — Personal Bankers. Real Relationships.
- OceanFirst Bank
- TD Bank
- Unity Bank — growing with you!
- Columbia Bank — Count on Columbia.
- kearnybank — Empowering Prosperity. Connecting Community. Delivering Trust. 1884 140 Years 2024
- Peapack Private
- The Bank of Princeton
- The First National Bank of Elmer — Banking simplified since 1903.
- ConnectOneBank — a better place to be
- Manasquan Bank — est. 1874
- Peoples Security Bank & Trust — Est. 1905
- Provident Bank — Commitment you can count on.™
- M&T Bank
- cross river

Phase 5 — Build the Capital Stack



The better question may be: Who are the partners who can help us assemble the full project cost?

Philanthropy Helped Close the Gap

$275,000 — Foundation legacy gift

$125,000 — Anonymous contribution

Capital campaigns and philanthropic relationships can complement — not replace — sound financing and operating capacity.

Major ownership transactions are often made possible because no single source has to do everything.

December 3, 2025 — From Tenant to Owner

After nearly 60 years as an organization, SSYC owned its first major real-estate asset.

After approximately eight years leasing the newly constructed center, the organization gained control of its permanent home.

CONTROL
Ability to shape the facility

STABILITY
A permanent community home

EQUITY
An asset on the balance sheet

LEGACY
A resource for future generations

What We Wish We Had Known

Candid lessons from the full panel

Challenges to Expect

Long timelines and changing circumstances

Rising costs and negotiations

Multiple financing sources

Legal and tax complexity

Maintaining programs during the transaction

Panel Perspectives

Leah — leadership, mission and persistence

Daniel — financial readiness

Patrick — development costs and project risk

Monica — legal protection and due diligence

Lakesha – State Financing Programs

Ownership is a process, not an event.

Panel Discussion & Q&A

Bring Your Questions

Leadership & organizational readiness

Financing & lender preparation

Development & capital projects

Legal structure & due diligence

Ask the Panel

What should we do first?

How early should we involve a lender?

How do we assess whether ownership is sustainable?

Which partners should be at the table?

Second Street
YOUTH CENTER INC.
DEDICATED TO GROWTH:
INTELLECTUALLY, EMOTIONALLY,
PHYSICALLY, SOCIALLY.

FROM LEASING TO LEGACY

“The goal was never simply to own a building.”

The goal was to create a sustainable institution and a permanent place where generations of children can learn, grow and thrive.

VISION → READINESS → PARTNERSHIPS → CAPITAL → FINANCING → OWNERSHIP → LEGACY

Second Street Youth Center