ASOR Board Meeting
Conference Call, January 7, 2019
4:00 PM EST

(1) Call to Order 4:02 PM

(2) Roll call — conducted by the Secretary

Present: Richard Coffman (Chair); Susan Ackerman (President); Timothy Harrison (Past President); Sharon Herbert (Vice President); Heather McKee (Treasurer); Ann-Marie Knoblauch (Secretary); Andrew Vaughn (Executive Director); Emily Miller Bonney, Vivian Bull, Hanan Charaf, Lynn Swartz Dodd, Peggy Duly, Jane DeRose Evans, Debra Foran, Joseph Greene, Peyton Randolph Helm, Susan Laden, Carol Meyers, Eric Meyers, Heather Dana Davis Parker, Joe Seger, Carolyn Midkiff Strange, Eric Welch.

(3) Approval of the Agenda

(4) Introductory comments about proposed building: Recommendation from the Executive Committee (Susan)

- See attachment A (circulated memo from Susan 209 Commerce St)

The Executive Committee recommends the Board go forward with the purchase for 1.1 million dollars of the 209 Commerce Street in Alexandria, Virginia.

Susan provided background to how we got to the price.

- The asking price had been $1,200,000. Susan and Andy submitted a nonbinding letter in mid December with offer of $1,075,000. The sellers came back with a counteroffer of $1,125,000. Susan and Andy returned with an offer of $1,100,000. The sellers have accepted. Currently this is a non-binding offer.
- The selling price includes the building and the bulk of the furnishing. There has not been an item-by-item discussion with sellers at this point, but they have made clear their general interest either to discard furniture or leave it with us (and we can assume leaving it in place would be easier and cheaper for them). The agreed upon price, therefore, includes the building and the majority of the furniture.
- Andy has been able to have conversations with our pro bono lawyer (at the firm of Arnold and Porter, LLP). They are located in the DC area and have assured that they can handle the legal aspects of the purchase, and most urgently, if the board adopts the recommendation of the Executive Committee, Arnold and Porter, LLP can write up a letter of intent to the seller by the end of the week.

(5) Questions/discussion about the proposed building

Carolyn Strange: how did you come up with this particular financing?

- Susan: this will be addressed in the financing part of the conversation

Jane Evans: Is there a third floor that might be rented out? If so, what ideas do you have for types of tenants?

- Susan: The building has three finished floors. When the building was renovated in 1991 with new electrical system, the set up included different systems for heating and AC on each floor, so each floor could be rented out separated. The current owners have rented out 2/3 of the second floor. For ASOR's purposes, the third floor is an obvious floor we might rent out. First and second floor are set up with common spaces, with individual offices, conference rooms, work rooms, etc. There are two big spaces on the third floor divided into cubicles. If the Cultural Heritage Initiative expands, it would be an ideal tenant for the cubicle space on the third floor.

Carol Meyers: Is there independent access to 3rd floor? Would access to the third floor involve walking through ASOR territory?

- Susan: Yes. There are two entrances. One on the side (enters into a work room), and one in front.

Carol Meyers: follow up: No elevator. What about handicap accessibility?

- Susan: Describes the first floor as ADA friendly, but not compliant. There is a ramp that comes from the parking lot in the back to the side door, it is wide enough to accommodate a wheel chair. There is no blue handicap push-button switch for the doors. The bathroom on first floor has been fitted out with grab bars, but maybe not ADA-complaint faucet handles or on doors.

Carol: We can assume there will be no legal problems if we are not fully compliant?

- Andy: If the board approves this purchase, we will have our legal team and building inspector work on this. First floor could be made ADA compliant. Older buildings (such as 209 Commerce St.) are grandfathered in, but the realtor has said if one undertakes a major renovation project, a certain percentage of funds of the renovation project have to be spent on making the building more ADA compliant (20 or 25%). We will need to have this confirmed. After looking at many properties in Old Town Alexandria over the past several months, there are many office buildings that are less ADA compliant.

Richard Coffman: can you speak briefly to location and why this building is better?

- Susan: The runner up building was 405 North Henry Street, located in a neighborhood that is gentrifying but not yet gentrified. Commerce St is literally steps from King Street--which is the hip, trendy thriving part of Alexandria. It is a 7-minute walk from the metro (instead of 15 minute walk to North Henry Street. Another advantage is Alexandria is two metro stops from National Airport—one could park at ASOR and take the metro to the airport. One staff member even said "It would be a pleasure to come to work here every day." Which would be helpful for staff retention.

Lynn Dodd: Can you talk about the cost of refurbishing the space as well as cost of annual upkeep compared to the Henry Street property?

- Susan: Not clear, but the ballpark answer is she assumes they would be about the same. The Commerce Street property has been really well maintained.
- Andy: His assessment without having done an inspection is that this building has had a lot of money spent on long term maintenance. The brickwork was repointed 5 years ago, and it has relatively new roof. The woodwork was stripped before it was repainted, and looks to be in better shape. Our pro bono lawyer will help to make sure there are no surprises.

Carolyn Strange: It is a wonderful idea to be moving to an 1880s building.

Vivian Bull: It is a major undertaking to raise the money, and fundraising needs to have major momentum because once ASOR has moved into the space, it will be harder to raise money.

(6) Introductory comments about financing models: Recommendation from the Executive Committee (Susan)

- See attachments B (office purchase worksheet) and C (executive director memo to EC/explanation of different models)

Susan:

- (Picking up on Vivian's comment) In terms of funding, the momentum has been stunning. We reached the half-way point of $750,000 in gifts and pledges at the meetings in Denver. This amount was raised in 10 months. This has been extraordinary for us. As of today, we are at $909,985. In terms of actual money in hand, we currently have a bit more than $360,000, and anticipate another $40,000 by the end of this month. This will put us at a bit over $400,000 in cash and another $500,000 in pledges. This is amazing, and it speaks to the generosity of our donors, and Andy's incredible skills as a fund raiser.
- Andy was asked to put together four models/options for financing to address how we might best use the money we have in hand and what has been pledged:
  - Options 1 and 2 are variations of the same model using an equity line of credit (Option 1 using 30%; option 2 using 50%
  - Option 3—dip into endowment, spend all of unrestricted net assets.
  - Option 4—take out a traditional mortgage
- The Executive Committee, after discussion, determined options 3 and 4 seemed the least viable.
  - Option 3 ties up every penny we have available, leaving us no flexibility in terms of our assets, and furthermore dips into endowment. It would be too constraining in terms of tying up our funding. Andy, Susan, EC—nobody is recommending
  - Option 4 is the most expensive. We think we can accomplish the same thing through an equity line of credit, but at a cheaper cost in the long run.
- Andy had a preliminary conversation with a banker today and got some very encouraging news: a 3-year equity line of credit up to $550,000 with an interest rate of 4.56%. The Executive Committee recommends that we use an equity line of credit, and the details of what percentage is borrowed can be worked out between the Finance Committee and the Building Campaign Cabinet.

(7) Questions/discussion about proposed financing models

Carol Meyers: Is that option 1 or 2?

- Susan: The Executive Committee recommends somewhere in the middle of options 1 and 2, letting the Finance Committee figure out something in that range that will work best.

Peggy Duly: Is the favorable percentage applicable to either the 30% or the 50% equity line of credit?

- Susan: The equity line of credit is for up to $550,000, which would be 50% at a rate of 4.56%
- Andy: 4.56% is the LIBOR rate plus 1.75% That is the rate today. The disadvantage of this is that it's a variable rate. Very few closing costs for a line of credit—it would be similar to a personal line of equity credit.

Peggy Duly: We would only pay interest on what we borrow?

- Andy: Yes. These are some of the advantages. Major disadvantage is that it's variable rate. But we are confident we can pay this down relatively quickly
- Richard: London InterBank Offered Rate (LIBOR)—if we can get it that's good, it tends to be lower.
- Andy: One banker told him they found it to be better for customers right now because prime rate is going up.

Carol Meyers: Richard you said "if we can get it." Is it hard to get?"

- Andy: we've received a non-binding offer letter from the bank (much as we've made a non-binding offer to the realtor). So, it's out there but it's not official.
- Susan: there's a little bit of a dance here in that the reason the bank wants to give us this, they'd like to see us as a customer and we might be asked to move some money—we are an attractive client to them.
- Andy: that request is not unreasonable. If the board agrees to go forward, Andy has an appointment with BB&T, and it will make sense to talk to other banks as well. Any bank will likely tie their mortgage-like product with transferring money to their bank. Also we have not had the best service from our insurance broker in the last 36 months, it is a good time to look at that and combine different services with other products.

Richard: any other comments?

(8) Vote — we need a vote from the Board both regarding the proposed purchase and regarding the proposed process for developing a financing model.

Carolyn Strange moved that the Board adopt the recommendation of the executive committee:

> **The Executive Committee recommends the Board go forward with the purchase for 1.1 million dollars of the 209 Commerce Street in Alexandria, Virginia. Passed unanimously on a roll-call vote.**

Carolyn Strange moved that the Board adopt the recommendation of the executive committee:

> **The Executive Committee recommends to the board that the Finance Committee in coordination with Building Campaign Cabinet negotiate a finance model based on a 30-50% equity line of credit or comparable mortgage product for the purchase of the building at 209 Commerce St in Alexandria, Virginia and bring that to the Executive Committee for final approval. Passed unanimously on a roll-call vote.**

Richard: Any closing comments?
Jane Evans: Thanks to Susan and Andy for their hard work; this is a really good solution.
Carolyn Strange: Thanks to everyone involved with picking this building.
Susan: I am proud of what we did.
Andy: I have been humbled at the support I have seen and heard in the last eleven months. It is impressive how people are giving to make this dream possible. One of the most significant things I have been involved with at ASOR. Thank you.
Carolyn Strange: Jim would be delighted.
Susan: The Board meets in Alexandria in April.

Andy: Our space at Virginia Theological Seminary will end at seminary at March 31; hopefully we will be in our new space by then.

Meeting adjourned 4:56 PM EST

Respectfully Submitted,

Ann-Marie Knoblauch