

**ASOR Executive Committee Meeting  
Conference Call, January 4, 2019  
10:00 AM EST**

Present: Richard Coffman (Chair); Susan Ackerman (President); Timothy Harrison (Past President); Sharon Herbert (Vice President); Heather McKee (Treasurer); Ann-Marie Knoblauch (Secretary); Joe Seger; Eric Meyers; Edward Wright (Development Chair); Andrew Vaughn (Executive Director).

**(1) Roll call**

**(2) Agenda**

**BE IT RESOLVED** Agenda approved by unanimous consent.

**(3) Introductory comments about proposed building (Susan)**

- See attachments A (circulated memo from Susan) and B (PDF file from realtor)
- Susan reported several updates on the plan to purchase a building in Alexandria for ASOR:
  - Update 1: Susan and Andy have been in negotiation for the property at 209 Commerce Street, Alexandria, Virginia. The sellers have accepted an offer of \$1,100,000.
  - Update 2: ASOR's pro bono attorney (Kenneth Schwartz, Arnold and Porter, LLP) will be able to handle the sale.
  - Update 3: As of discussion at November's meeting, 405 N Henry Street was a top choice; and the Executive Committee had recommended Andy and Susan pursue that property. That building is now a less desirable option. In many ways they are almost equivalent (asking price, square footage), however there are advantages to Commerce Street:
    - Layout: N Henry has a lot of dead space—not as efficiently laid out as Commerce Street.
    - Storage space: Commerce St has better storage space (600-700 SF in basement for storage; N Henry, storage is under the eaves)
    - Location: Commerce St is right on King Street in the heart of trendy Alexandria; N Henry St is not yet gentrified; Commerce St is about half the distance from the metro station—much more desirable for staff)
    - Condition: Commerce St is in move-in condition, and sellers plan to leave most of the furniture, and N Henry we would need furniture and new carpet on second floor.

**(4) Questions/discussion about the proposed building**

- Questions and discussion addressed many different topics:
- Minor maintenance is required before the building will be move-in ready. This includes refinishing the original floors on the first level, perhaps paint some walls "ASOR blue". The issue of using the basement for storage was also brought up. Although there is no indication that it is climate controlled, the current occupants use the space to store papers and files on metal shelves, and so presumably we would be able to do the same.
- A suggestion was made that we consider any ideal improvements that would help make the building and space useful when applying for an NEH challenge grant.
- The building has the potential for rental space, The current owners rent 2/3 of the second floor (the tenants will leave when the building is sold). Each floor has a separate AC/heating unit, which would make it easy to set up a rental agreement. In terms of what income could be generated from a rental, Andy considered a very rough estimate to be in the \$40-\$25 per square foot per year, and renting at the lower end would ensure more consistent occupancy (versus higher vacancy rate if the rent was more expensive). He also envisions if ASOR pursues renting any space, it would be to a like-minded non-profit (ACOR will rent around 500 SF); but no discussion has taken place on this topic. The third floor is the most independent space, and Susan suggested that if CHI grew, it would be a natural place to put them, or use as a swing space for our needs.
- The building does not appear to be ADA compliant, but some accommodations have been made and it is probable that the first floor could be made ADA complaint without a lot of added cost.
- As for moving forward with practical issues like a building inspection, Andy and Susan need Board approval. After the Board meets on January 7, 2019 (and assuming the Board approves the plan to purchase), we have 5 days to start initiating a 30-day period for inspection and drawing up sale papers. This is considered an exclusivity period. This means we have the right to pull out for any reason or no reason, but the sellers do not have the right to accept any offers or market the property. At the end of the exclusivity period \$100K has

to be transferred. The exclusivity period will span the weekend of Feb 1-2, 2019 when the Executive Committee is scheduled to meet in Alexandria, so we hopefully can go look at it.

**(5) Introductory comments about financing models (Andy)**

- See attachments C (office purchase worksheet) and D (executive director memo to EC/explanation of different models)
- Andy announced that the models have been recently updated to reflect \$120,000 in new gifts and \$20,000 in new pledges. The models are based on numbers provided by a banker at BB&T through a connection made with former ASOR treasurer Sheldon Fox. ASOR is not obligated to use BB&T and can go to other banks for bids. Furthermore, these numbers are rough estimates, and probably a little conservative with what we might expect from other banks. The current variable rate 4.57%, and Andy used a 5% rate, as it might go up 0.5% in the next year. Furthermore, if ASOR uses a line of credit (or some other mortgage product) from a bank, it might be necessary to transfer a significant amount from our brokerage accounts to them to get favorable rates.

**(6) Questions/discussion about proposed financing models**

- Questions and discussion addressed many different topics:
- Several committee members spoke out against Option 3 (100% financing from ASOR) as it would mean tying up our unrestricted assets and “borrowing” the remainder from the endowment, leaving ASOR in a precarious position with regards to liquid assets.
- There was limited support for Option 4 (financing from a traditional mortgage with a 4-year balloon payment). Although this is the most expensive option, the rationale was that ASOR has a good record with fundraising and could conceivably raise the money relatively quickly. It would be important to look into prepayment penalties if we pursued this option.
- Most committee members voiced support for Option 1 (50% LTV equity line of credit or some other mortgage product) or Option 2 (30% LTV equity line of credit or some other mortgage product). These options would involve using some of ASOR’s unrestricted net assets along side of an equity line of credit or other mortgage product.
- Andy explained that the value of the building would increase the amount of our unrestricted net assets listed as property. Our “unrestricted net assets available for operations fund”—from an audit standpoint—would stay, just be allocated differently. Susan explained that funds we have in “unrestricted net assets” are not in the market. Instead ASOR purchases a variety of interest-bearing products that are very liquid (e.g., short-term treasury bills or money market funds). Heather reiterated what Andy said. When we take cash out of unrestricted net assets, it’s a transfer on the balance sheet. We have a pretty robust unrestricted right now, taking it down to 400K is a sufficient amount to leave in there—she would not worry. Andy also reminded committee members that as of Jan 1 2019 and for the next five years, UC Press has liability for producing, printing, and mailing the three journals. We will not have to have the board vote on setting money aside to pay for journals.
- The point was made that Options 1 or 2 (using some of ASOR’s unrestricted net assets) would work better for fundraising efforts.
- The suggestion was made that the Finance Committee could review options 1 and 2; Heather agreed to take it up with the Finance Committee.

**(7) Vote — we need a recommendation to the Board both regarding the proposed purchase and regarding a proposed financing model.**

Recommendation made by Heather McKee, seconded by Sharon Herbert:

**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.**

Recommendation made by Sharon Herbert, Seconded by Joe Seger:

**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.**

Meeting adjourned 11:09 AM EST