Meeting started at 0700 with a quorum.

Meeting Intent: The specific intent of this special meeting was threefold:
- Approve relocation of the National Office in principle.
- Approve the issuance of a letter of intent to NSPE to finalize negotiations for the relocation of the SAME National Office Staff to 1420 King Street (Washington Engineering Center, owned by NSPE).
- Determine the manner in which the XC desires to oversee the negotiations from this point forward to decision.

Discussion: SAME Executive Director, Joe Schroedel, gave an overview of negotiations to date, along with data on the state of the building, historical data, and other pertinent information (Encl 1). XC members agreed on many things:
- Everybody agreed with the analysis on the state of the building and the need to find more suitable space.
- All agreed that the Century House was purchased as an investment and now is the time to leverage the investment to serve the Society’s needs.
- The general consensus is that capital assets are only one indication of the permanence of an organization. The XC then agreed that the right approach now is to sell the Century House to leverage the investment (it is a hot seller’s market); then rent until (or if) the time is right to purchase (Best option: NSPE has agreed in principle with including a provision in our rental agreement for the future sale of the space we intend to initially rent).
- All agreed that an asset analysis should be completed for the next 25 years. The XC suggested approaching a sustaining member for pro-bono work. Additionally, this gives Joe and his staff time to ensure a proper fit and evaluate the market for the best time to buy. Subsequently, Joe tasked Will Hoffman to ask our financial consultant for an estimated cost of doing the analysis.
- NSPE and SAME have synergy that can be expanded with the co-location.
- While there are no emotional ties to the Century House for the staff, it is important to remain in the same general location to retain accessibility.
- No XC members were concerned with member or sustaining member ties to the building. In fact, at the follow-on Foundation meeting, Lt Gen (R) Gene Lupia described his role in securing the Century House and how his work helped him get his Fellowship and the Sverdrup Medal. He was perfectly fine with selling it. One member noted the importance of outreach to mitigate any concerns.
• No members were concerned with the size (NSPE property is bigger than Century House) and in fact, noted the trend towards teleworking as a means to grow the staff (if desired) without requiring more space.
• The group agreed that all decisions need to serve the Society’s purpose.

Decision: The SAME XC approved the relocation and issuance of the letter of intent to NSPE. They felt that decisions should be made with a “stage gate” process; Joe will inform the XC of major milestones with the final decision made by the Board of Direction.

Next Steps:
• Joe will issue the letter of intent to NSPE.
• The National Office will conduct the asset assessment as requested.
• The National Office will provide a detailed milestone list for the XC use in determining points of engagement in the process. The XC decided not to form a panel for subsequent updates. Instead, the XC desires to keep the entire XC engaged throughout the process.
• The National Office will provide an update at the December 12 XC virtual budget meeting.

BG Joseph Schroedel, P.E., F.SAME, USA (Ret.)
Executive Director

Encl 1: XC Slides
Proposed Relocation of the SAME National Office

20 November 2019

RECOMMEND: That the XC:

- approve the relocation of the National Office in principle;

- approve the issuance of a letter of intent to NSPE to finalize negotiations for the relocation of the SAME National Office Staff to 1420 King Street (“Washington Engineering Center”; owned by NSPE);

- appoint a leadership panel to oversee and review the final relocation plan and negotiations with NSPE; then report to the XC for final decision.
Why are we located at 607 Prince Street?

"Simply stated, we were priced out (of our DC office) the same way AUSA, ADPA, TROA, and other D.C.-based societies were. Alexandria offers a professional environment; it is close proximity to all key military engineering offices, the airport and the capital—ideally meeting all location criteria... and an excellent business venture. Since we are 75% dues dependent for income (as are similar societies), any growth in rent is predicted, would have hit each member hard in the pocket."

_Walt Bachus memo, undated, circa 1980_

**Staff Size:** 1979: 13 fulltime, 2 part-time; 2019: 26 fulltime, 1 contractor (HR)
**Revenue:** 1979: $467k; 2018: $7.36M
_Currently 28% dues dependent_

Who named the building the "Century House"?

"The SAME Headquarters gets its name from its prior owners who coined ‘the Century House’ because it was well over 100 years old. This was done at the time of the bicentennial in 1976 when the Century House was one of about a dozen town homes selected by the city on the bicentennial open house walking tour. ... it is an ideal location and fits our size and needs perfectly. It is also a great financial investment.”

_Tour Guide Notes for the Century House, Walt Bachus, undated circa 1980_

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**Why relocate and why now?**

**WHY:** Take care of the national staff to better serve the Society:

- **Staff Safety:** Injuries; non-ADA compliant; fire escape; electrical outlets
- **Staff Health:** flooding; climate control (poor insulation); vermin; plumbing issues
- **Staff Productivity:** vertical configuration; compartmented; parking impact (move cars); IT/comms/power outages
- **Staff Workspace:** staff size = 27 (two in hallway; three remote; potential growth); no breakout; rent storage space
- **Public Transportation Access:** inconvenient for staff and visitors (metro; transportation subsidy)
- **Staff Parking:** inadequate; constrained; disrupt work to move car (double parking arrangement)
- **Historic Property:** complex and expensive to alter to meet needs (approvals, cost, materials, etc.)
- **Neighborhood Transition:** adjacent hotel development on west side (National Missing Children’s Association moved) will exacerbate parking on Prince Street, add competition in rear; adjacent apartment development on east side presents similar issues

**WHY NOW:** Unanticipated opportunities:

- Unsolicited standing offer from hotel development next door ($2M without appraisal)
- Unexpected Opportunity with NSPE (1420 King Street; “Washington Engineering Center” near King St Metro)
- Favorable Market Conditions (seller market)

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_3_
Why Relocate?

- Hotel at 699 Prince Street and apartments at 695 Prince Street
- Entrance end exit single-lane alleyway to parking behind Century House; vehicle blocking lane
- Inadequate functional space for logistics, staging, shipping and storage for events
- Office cubicles at end of hallways, and insufficient 12 ft ceilings and 8 ft wide corridors

Additional Details at Backup Slides

Relocation Objectives

Provide 5966 sf (min) to 7236 sf (max) to accommodate current and potential staff (31 employees); ensure flexibility of space; newer facility; configure staff to maximize productivity.

Resolve all current staff impact issues (slide 4) to enhance support to the Society.

Remain in Old Town Alexandria to continue to leverage location (access to DC, central to employee residences, convenience for visitors); avoid flood prone areas and heavy traffic prone areas (move west of Henry Street).

Locate closer to King Street metro (expand employee use of public transportation subsidy, improve public transportation and chain hotel convenience for visitors).

Minimize lease risks (cost escalation; termination).

Sustain Long term affordability.

Leverage Century House investment to support Strategic Plan 2025 (potential to contribute Foundation, new capital asset, etc). **NOTE: NO FEDERAL OR STATE CAPITAL GAINS TAXES IF SELL** [potential gift to Foundation, ...]
Suitability of Courses of Action
("Does the COA Meet Relocation Objectives")

COA#1: Remain in 607 (Prince Street) – **unsuitable**; cannot meet objectives; some mitigation achievable, but staff safety, health, productivity remain impacted; long term impact of neighborhood changes unknown

COA#2: Lease 607 and lease new site – **suitable**; meets all objectives

COA#3: Sell 607 and Lease new site – **suitable**; meets all objectives

COA #4: Lease 607 and purchase new site – **suitable**; meets all objectives

COA #5: Sell 607 and purchase follow on – **suitable**; meets all objectives

COA #6: Sell 607 and lease plus acquire interest in new site – **suitable**; meets all objectives

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Relocation Action Timeline To Date

June 2018: Developer for former Center for Exploited Children (next door) meets with KO and Allison Ingram; informs of development and construction impacts on SAME parking; offers to purchase Century House (we said no; developer said opportunity good for one year) coordinates easement for trash truck turning.

May 2019: Opportunity to meet with McBride Real Estate Services to consider what options might exist in local area for office space. Partnering discussion with NSPE leads to NSPE interest in our potential move.

June 2018: Signed Representation Agreement with McBride to sell or lease 607 Prince Street and new office space leasing; appointed Relocation Team (John Medeiros, Natasha Rochaau, Will Hofmeier).

June 2019: Met with NSPE to look at available space – decided inadequate for our needs.

July 2019: Preliminary discussion with McBride and Dorton architects to consider program size and begin to scope potential lease/buy options.

Aug 2019: NSPE notified us they consolidated their space and assembled 7,200 SF for SAME consideration.

Aug 2019: Met with McBride on initial leasing/purchasing considerations. Construction representatives assessed Century House for needed work and established $2.7MM as high end for market listing of Century House. Down selected from 14 lease/purchase options to 3 lease options and one purchase option.

Sep 2019: Conducted independent audit of financial considerations.

Sep 2019: Alter 1st test fit, space in Washington Center determined still too small for SAME needs.

Sep 2019: Conducted tour of remaining options and down selected to three options – 2651 Jamieson; 225 Reimken; and 1420 King Street remain.

Oct 2019: Met with NSPE and they told us we could co-use some functions including their large conference center in order to fit in the building.

Oct 2019: Down selected to 1420 King Street as primary and most feasible COA ... intangibles plus lowest cost
Suitable Relocation Sites (Down Selected from 14 to 3)

Independent 5-year Financial Analysis of Best Lease Options in Old Town Alexandria

<table>
<thead>
<tr>
<th>Building ID</th>
<th>Lease Term</th>
<th>Building Type</th>
<th>Rent Rate</th>
<th>Annual Rent</th>
<th>Insurance Adjusted for NCI</th>
<th>Total</th>
<th>Ranking</th>
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<tr>
<td>788 12th St</td>
<td>2020-2024</td>
<td>Office Building</td>
<td>$1,200,000</td>
<td>$2,400,000</td>
<td>$1,240,000</td>
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<tr>
<td>100 Main St</td>
<td>2019-2023</td>
<td>Retail Space</td>
<td>$900,000</td>
<td>$1,800,000</td>
<td>$1,700,000</td>
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<tr>
<td>140 Market St</td>
<td>2018-2022</td>
<td>Laboratory</td>
<td>$750,000</td>
<td>$1,500,000</td>
<td>$1,450,000</td>
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- Assumes a 5% revenue growth and a 4% expense increase
- Does not include capital reserve account for infrastructure ($25-$35K/year
- Sensitivity analysis showed positive results at 0% revenue growth

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1980: Purchased ($725,000) (building and parking lot); appraisal ($730K); (only SAME capital asset)

1980: Roof Upgrade - $1,124 (part of closing costs)

1988: Paid off mortgage (Society Home Fund, 1980-1987 - $600,000)


2004: Property Appraisal ($1.5M)

2004 - 2014: Upgrade: 1st floor, front windows, bathrooms, utilities, IT (cabling), kitchen, FF&E - $728K (donations ...)

2015 - 2019: Upgrade HVAC, plumbing, FF&E - $45K

2019: Market Assessment ($2.795M);
- Inspection: (porch, aging roof and mechanical systems, electrical, Estimate: $160K)

Summary

<table>
<thead>
<tr>
<th></th>
<th>Purchase</th>
<th>Upgrades</th>
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<td>Capital Fund</td>
<td>$0</td>
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<td>Deferred Maint (est.)</td>
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Operating Cost Comparison (Feasibility)

<table>
<thead>
<tr>
<th>Facility SF</th>
<th>Century House *</th>
<th>King Street</th>
<th>Lease Options **</th>
<th>Remarks</th>
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<tr>
<td></td>
<td>6283 SF</td>
<td>7177 SF</td>
<td>9000 SF</td>
<td>9000 SF</td>
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<tr>
<td>Cost per SF</td>
<td>$26.56/FS</td>
<td>$33/FS</td>
<td>$38/FS</td>
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<td>Actual Annual Lease Costs ****</td>
<td>$150,477</td>
<td>$281,832</td>
<td>$274,411</td>
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</table>

Century House Annual Costs

- Repairs & Maintenance: $32,645
- Capital Reserve ****: $34,291
- Taxes: $14,735
- Property insurance: $9,419
- Utilities: $14,564
- Rental Storage: $3,720
- Total Annual Operating Costs: $123,573

| Monthly cost comparison | $10,781 | $12,850 | $23,779 | $23,178 |

* 5-year average at 4% expense increase
** 5-year average at 2.75% escalation, rent abatement, and improvement allowance/depreciation
*** Actual lease payments after rent abatement, deferred payments, escalation, etc.
**** Estimate of capital infrastructure reserves if Century House is retained
Acceptability
(Risk/Reward; Virtual and Opportunity Costs)

Acceptability Considerations:

- SM Backlash (Purchase, Reno, Investment)
- Retain Capital Asset (image: enduring society)
- Landlord Duties (if lease 607)
- Lease Escalation Risk
- Lease Termination Risk
- Leverage Hot Real Estate Market
- Historical zone (real estate market hedge)

Current 1420 King Street Negotiations (NSPE)

- First floor (7,177 SF) with no other tenants
- 15-year lease with 5-year option
- Annual escalation @2.75%
- $2 increase/SF at year 11, no escalation years 11-15
- $85/SF for building (asking $90/SF)
- 15-month rent abatement (9 months 1st year, then 3 months each in years 2 & 3)
- Renew option every 5 years
- NSPE purchased building with intent of attracting other AEC Organizations (Math Counts, etc)
- NSPE will consolidate their staff to accommodate contiguous space for SAME
- NSPE agreed to co-locating functions (e.g., logistics, major conference room)
- NSPE has had two tight fiscal years—they are motivated to deal (find long term win-win) in order to increase occupancy of 1420 King St

Relocation Action Timeline Going Forward

2019

Nov: XC approves (letter of intent to NSPE; negotiations continue)
    NSPE Board accepts letter of intent and approves continued negotiations
    Approve test fit for 1420 King St

Dec: Present Build Out budget associated with relocation to the XC in conjunction with the FY 2020 Budget Briefing (virtual)

2020

Jan: Convene XC Leader Panel (physically or virtual) – get onboard

Feb: Lease execution

Mar: NSPE begin their construction build-out

May: Put Century House on market to sell

May: SAME begin construction build out

c. Sep: Move into new space – Best timing for the staff
Recommendations

**Approve** the relocation of the SAME National Office in principle;

**Approve** issuance of a letter of intent to NSPE;

**Approve** national staff proceeding with negotiating draft deal with NSPE (XC Final approval authority);

**Appoint** a leadership panel to oversee negotiations and render a final recommendation to the XC when negotiations are concluded.

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**BACKUP SLIDES**

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Taking Care of our People

• Workspace can’t be resolved without significant construction or alteration
  – Safety and health considerations – fire escape, stairs, flooding, environmental and vermin
  – 2-3 people in “bedrooms”, desks in hallways and staff spread over four floors
  – No accessibility considerations

• National Office size today and future
  – Staff currently at 27 people with no room to grow (anticipate growing modestly)
  – Three people currently work remotely; not adequate space if in the building
  – 20 “double-parked” parking spaces “Frogger” each day

• Commuting times continue to increase – “DC effect”
  – Staff productivity less than optimal
  – Very limited public transportation (metro bus and sporadic trolley)
    • Metro & VRE one mile away; inconvenient for staff and visitors
    • Limited staff use of transit subsidy

Neighborhood Impacts

• Transportation congestion
  – Traffic going east, south and west takes up to 30 min. to exit “Old Town”
  – Limited public transportation service available

• 699 Prince St. conversion (next door)
  – Main lobby entrance, valet parking service located on Prince St
  – Rooftop bar, 134 bedrooms, restaurant, conferencing, stores and events
  – Off-site parking only; constant come-and-go vehicle traffic

• 609 Prince St. conversion (next door with common wall)
  – Convert from office space to multiple short-term rental apartments
  – Increased vehicle and foot traffic with no on-site parking
<table>
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<th>Function</th>
<th>Current SF</th>
<th>Current Persons</th>
<th>Proposed Persons</th>
<th>Min SF</th>
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<td>4</td>
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