FREQUENTLY ASKED QUESTIONS

Updated 7/14/2017 7:30pm

How much do we need to raise through a Capital Campaign?

While the very rough estimate of the building cost at this point is $14mm that is not the amount we would need to raise via Capital Campaign. While these numbers all have a lot of guess work in them, there are a lot of conversations behind the fact that all of these are possible.

Source	Amount
New Building Cost Est	$14.000
Building Proceeds	-$ 1.455
NMTC (conservative)	-$ 2.000
City (PIAC, SSF, other)	-$ 1.000
L/S/F Buckets	-$ 1.000
Net after non CC sources	$ 8.500
Capital Campaign	**-$ 5.500**
Net to finance via debt*	$ 3.000

**This amount is in the operating costs analysis for a new space.*

Why build and not lease?

You cannot fundraise for a leased space. That is why, if you look at the comparative operating costs document on the website, it would cost more to lease – even taking debt service into consideration. By building, we get to fundraise to cover our operating costs in ways that other fundraising activities (grant writing for example) are loathe to support. Additionally, ownership puts a large asset on our books that – if better maintained than previous teams have maintained this facility – will serve us for decades and bolster our financial strength.

Why not move out of Campbell today?

The math doesn't support it. While we have compiled a list of bids showing $1.5mm in major systems replacements that are long, long overdue and a $1.0mm estimate to shore up a structure to support necessary reconfiguration, all of this work doesn't need to be done today. As it says on the one-sheet, this would need to be done to sustain long-term occupancy. Some of these systems will break of the next three years – but none of them individually is significant enough to outweigh incurring an additional $100,000 in moving costs and an additional operating cost of $100,000 annually.

The operating costs projected for the next three years already consider an additional $75,000 to $100,000 a year in maintenance and repairs for aging systems. If there is an affirmative vote and an air conditioning unit dies, we will move people into other parts of the building that are air conditioned and / or buy portable units that will cost a few thousand dollars instead of tens of thousands. These are things that can be done in the short term if an end game is in place. The one notable exception is if the elevator were to become irreparable. Even then the risk is a possible $160,000 versus a definite $400,000 if we move today. While the elevator is at end of life, it is so far repairable.

As mentioned at the May meeting, the structure is deemed stable enough for the time being based on an engineering review done in late 2014. Significant reconfiguration or remodeling calls that stability into question, but that is not what we are currently recommending – nor would we recommend remodeling the current building.

Can we get more for the building if we go out to market?
The appraisal (posted on the website) dated May 23, 2017, gives us insight into this. On page 12 in the conclusion, the wrap up their analysis with a market value of $1,420,000 based on land with the building expected to be in use. As we've outlined, no one is likely to buy this property with any intention other than to tear down the building, and our current buyer is no different. This puts us in the land only part of the valuation further down the page at $1,030,000. Compared to our offer:

	Appraised, Land Only	Appraised, With Building
	$1,030,000	$1,420,000
Offer	$1,475,000	$1,475,000
Variance	**$ 445,000**	**$ 55,000**

Because the buyer is acting as their own broker, and because we are using our attorney in the role of broker since marketing services were not needed, we do not lose anything in this deal to broker fees. If we go out to test the market, the following will need to be considered:

1) We will lose the existing offer, which:
    a. Exceeds the appraised value
    b. Allows flexible time to relocate
2) We will be exposed to brokerage fees of 6% (market rate). That means any offer will have to be for $1,569,150 (or more) in order to net $1,475,000 after broker fees.

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Short of going out to market, it would be nice to have additional substantiation of the strength of the deal.
Additional appraisals and a broker assessment (from an independent broker) were recommended as ways to provide additional comfort that the deal represents the full value of the asset. Contact has been made with two additional appraisers and connections are being made now with brokers independent of any deals with buyer or seller. Additional appraisals will run $2,000 - $3,000 each and take up to four weeks. Complete options in this area will be compiled and updated here as they become available and on the call Monday.

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How did this deal come about?
The buyer partnership was prompted by former board member, Gina Anderson (service dates: 2007 - 2014). Gina is a broker with CBRE. When she was on the board the former Goodwill CEO was eager to move. While the building was never on the market, Gina would occasionally bring through prospective buyers. She continued to do this after her board service ended.

In October she walked JE Dunn representatives through the building. At the time she was acting as a broker, not a buyer. Gina liked Dunn's vision for workforce housing for young professionals with salaries too low to sustain current escalating rents in downtown. When Dunn couldn't get the numbers to work, Gina began looking at it on her own, soliciting partners. Once she found a partner in April 2017, she made it clear she wanted to pursue a sale.

As a former board member, Gina understands and is more sensitive that most buyers would be to the deal being fair to Goodwill and giving us an opportunity to be accommodated to every extent possible.

This is the Cliff Notes version. Additional detail on the timeline can be found on the website in the document "Timeline of a Deal".

What has the board known and when?
When Gina brought JE Dunn through the building for their second tour, Stefany notified Rob that the situation was developing but still far from a reality. When Jeremy became chair in January, she updated Jeremy as to the situation and its status. When Gina approached Stefany in April about pursuing a sale, Stefany informed the Executive Committee of the board on May 1. Guidance was given to gather some additional information and prepare to present to the full board at the May board meeting.

What's the rush?
Because the deal came to us and we have not arrived at this point via the traditional route, things are all out of joint. Traditionally, a discussion would have been had, the building would have been put on the market and a feasibility study would have begun and design firms would have been engaged all before a sale would have likely come to this point. However, we are where we are. As dealing with Campbell was part of our strategic plan, we want to make sure this opportunity has the chance to be as thoroughly considered as possible. We want to make sure as much information as possible is available to the board to make an informed decision. We also want to be sensitive to the buyers who are trying to be accommodating to us. We are doing everything we can to provide all of the information requested as quickly as it can be requested and with minimal risk to the organization. Therefore there is a lot of activity and we have our hustle on!

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What are the final negotiated terms on the walk-away provision of the PSA and how were they determined?

Buyer and seller agree to knock off two specific hurdles in the first 60 days of due diligence: the billboard, and the MGE easement.

Goodwill has up to 6 months to complete a feasibility study and preliminary design estimates, which will give us a better idea on cost and a better idea on the community's ability to support our campaign. During that time staff will also be able to get much further in the application and exploration process of the other funding sources such as new market tax credits and city / state funding. Also during that time the buyer will begin doing their less costly due diligence pieces.

If Goodwill decides to cancel for any reason, we will reimburse the buyer for up to $25,000 in documentable, site-specific out of pocket expenses. If we announce we are ready to proceed based on feasibility and design, the buyer gets *up to* one extra day of due diligence for each day we spent working on the feasibility study (although they hope very much not to use it). That way the buyer is not running up exorbitant expenses on (for example) environmental if we realize we can't afford to move - they don't lose and we don't have to reimburse. If they walk away we do not receive any reimbursement because the work we are doing is not site-specific and we can still use our feasibility outcomes and design work if they walk away (more detail on these costs in the next section). This arrangement keeps everyone's exposure down to truly lost investment.

What expenses are likely to be incurred during the due diligence (inspection) period?

Expense	Estimate	Transferrable Investment
Feasibility Study	$30,000 - $60,000	Yes – there will be information that proves valuable to guide in preparation for future efforts, even if we walk away from the deal at this time.
Design	Unsure	Yes – design work to be done during due diligence will include stakeholder work to determine actual space needs, which in turn will give us more substantial information on what our next space will need to look like (square footage, land, maybe initial design). As we all know Campbell is going to be a part of our past sooner rather than later, this information will be critical for planning how we make a move.
Legal & Accounting	Unsure	Yes – Talking with legal and accounting professionals about what is involved in New Market Tax Credits will transfer to any future project in the next seven years (perhaps longer).
Buyer reimbursement	Up to $25,000	No – Only if we terminate the sale

What will the motion be on Monday's call? What will a Yes or No vote indicate?

Monday's motion will be:
The Agency should accept the offer on the Campbell property as made by Anderson Real Estate Services, LLC. The board will reconvene expressly for the purpose of revisiting the viability of this transaction upon completion of the feasibility study and prior to the end of the due diligence (inspection) period.

Yes vote:
The president will sign the Agreement of Purchase and Sale (PSA) on behalf of the organization. Board and staff will work together to select a capital campaign firm to complete a feasibility study and a design firm to begin planning for a new building.

No vote:
Discussions with Anderson Real Estate Services will come to a close. Staff will propose that board and staff move forward (at a less break-neck pace) with selecting a capital campaign firm to complete a feasibility study and a design firm to begin planning for a new building. Additional analysis will be done regarding the viability of the land on Campbell and adjacent parcels to support future initiative, as well as continuing to build momentum on support at the city and other areas where we will eventually need support.

Volunteers for the Bid Committee (ad hoc) a.k.a. Selection Committee.
If Monday's vote is affirmative, we will be asking for volunteers to serve on the Bid Committee immediately. The last week of July we will need up to 8 hours of the members' time to hear presentations from two capital campaign firms and two design firms to make selections for each to move forward.