

## **MOTION: The House of Delegates authorizes the Board of Directors to sell the existing headquarters building at 520 N. Northwest Highway, Park Ridge, Illinois, and to lease alternative office space to meet the needs of ASSP operations.**

### **Background**

ASSP has received an unsolicited offer of \$4.4 million to buy the Park Ridge, IL, headquarters building it owns. The Board of Directors has evaluated this offer and believes it is in ASSP's best interests to accept the offer and to lease alternative office space to meet ASSP's business needs.

However, under current Society bylaws, the House of Delegates (HOD) has the authority to enter into real estate transactions. As a result, the Board of Directors is requesting that the HOD grant that authority to the board.

### **Justification**

Since receiving the unsolicited offer to purchase the ASSP building, the Board of Directors and professional staff have considered ASSP's office space needs and have concluded that selling the building is in the best interests of the Society:

- ASSP purchased the Park Ridge building in September 2014 for \$3.467 million. With over 32,000 square feet of office space, 10,000 square feet of basement storage and office space for over 110 staff, the building was judged to be sufficiently large to meet ASSP's long-term needs as determined at that time.
- There is no mortgage on the building.
- Current staffing totals about 70 positions.
- With the onset of the pandemic in March 2020, staff pivoted to remote work and continues to work successfully outside of the ASSP headquarters building.
- To meet staff needs and to remain competitive in the local labor market, ASSP will continue to offer remote work in a hybrid arrangement post-pandemic. Surveys indicate a strong desire by staff to maintain work location flexibility.
- More broadly, the labor force is shifting its focus to several key factors that are critical to employee engagement and retention:
  - Market-based compensation structure
  - Flexibility in work hours and location
  - Employment stability
  - A culture that creates a sense of inclusion and belonging
  - Work challenges that allow workers to collaborate, learn new skills and grow in their jobs
- Increasingly, if employees are not satisfied along these dimensions, they are simply leaving for new opportunities. Employee turnover is costly and disruptive.
- These findings and current trends indicate that ASSP has excess office space for the short- to medium-term, like many other organizations throughout the economy.
- Finally, the Board of Directors has concluded that owning real estate is not critical to achieving ASSP's mission and strategy.

### **The Offer**

In December 2021, the Board of Directors authorized staff to sign a non-binding letter of intent to sell the building for \$4.4 million. This represents a gain of \$900,000 over the original purchase price and about \$1.1 million over current book value.

Should the HOD grant the Board of Directors the authority to execute this transaction, staff would complete a binding purchase and sales agreement.

- It is believed that \$4.4 million represents a strong offer for the Park Ridge building.
  - We have spoken to commercial real estate brokers who reviewed comparable sales and the demand for buildings such as ASSP's.
  - There is interest in Park Ridge commercial real estate, given its proximity to Chicago, IL, and O'Hare International Airport, and limited supply in this area.
  - Based on this review, we believe this to be a very competitive offer.
- The non-binding letter of intent calls for ASSP to vacate the building no later than Dec. 1, 2022. This is a short timeline as typically an office move can take 18 to 24 months or more. As a result, ASSP staff is working to identify options to affordably lease smaller office space in the surrounding area:
  - This is an aggressive timeline to identify and move to an alternative office space.
  - Given the continuation of remote work, ASSP does not need to own and maintain 32,000 square feet of office space. For the short- to medium-term, a smaller, more flexible space will accommodate staff needs and is likely to be 50% or less space than our current building.
- Staff is working to define specific space requirements, identify options and negotiate a lease. Guiding principles for the leased space include:
  - Significantly reduced square footage as compared to the current building
  - Flexible workspaces
  - Lower cost
  - Proximity to existing building
  - Short-term lease (3 to 5 years)
- It is believed a short-term lease will provide ASSP with flexibility needed to assess the long-term impacts of the pandemic.

### **Why Accept the Offer**

The Board's recommendation to sell the building and lease alternative, smaller office space is founded on several key factors:

- As noted, owning real estate is not critical to achieving the Society’s mission or strategic plan.
- The pandemic has changed business operations in fundamental ways. ASSP and staff have shown that they can effectively conduct business and deliver member services remotely.
- The Board of Directors has ultimate fiduciary responsibility for ASSP’s financial well-being. Selling the building:
  - Frees up capital that can be reinvested in other critical areas.
  - Provides an opportunity to control and reduce operating expenses.
  - Avoids upcoming capital expenditures necessary to maintain the existing building.
- Reducing ASSP’s office space footprint aligns with shifting business operations:
  - The pandemic has accelerated a national trend toward remote work and flexibility. As the pandemic evolves, this trend is likely to continue.
  - ASSP staff surveys indicate team members highly value the flexibility to work remotely, even after the pandemic ends. This is consistent with national survey data.
  - Offering work flexibility is critical for ASSP to remain competitive in the local labor market.

## Additional Information

### Why is the HOD first learning of this purchase offer now?

We received the initial, unsolicited expression of interest from the buyer in August 2021. At that time, we were not marketing the building for sale; future office space needs were unclear; and the offer price was several hundred thousand dollars lower. Since then, we have reevaluated our needs and the buyer has increased the offer price. Consistent with its fiduciary responsibilities, the Board of Directors believes it is appropriate to bring the proposal forward to the HOD for a decision.

### What are the details of this offer?

The buyer is a real estate investment and development firm that has developed 34 properties in nine states. The firm has offered to buy the building for \$4.4 million subject to its due diligence. The building would be sold in “as-is, where-is” condition. Should the HOD grant authority to the Board of Directors to sell the building, staff would enter into a binding purchase and sales agreement. Under this agreement, the buyer would have 60 days to complete its due diligence. Should the sale close, ASSP would be required to vacate the building by Dec. 1, 2022.

### How do we know this offer represents the highest price for the building?

There are no guarantees that this is the highest price. Based on information from commercial real estate brokers, we believe the offer to be very strong. Accepting this offer also would avoid the potential for a protracted sales process.

### What if the sale does not close for some reason?

The sale is an attractive opportunity; however, if the sale does not close, the factors driving the recommendation to sell would remain. The Board of Directors would proceed to market the building for sale.

### Why is there no time limit on this grant of authority?

Real estate transactions can vary greatly in terms of the timeframe required to execute. As an operational matter, it is impractical to establish a time limit for a real estate transaction.

### If ASSP is going to sell the building, why not relocate the headquarters to a less expensive state, like Texas?

A headquarters relocation requires additional evaluation and a change in the bylaws. Given the time limit on the offer, ASSP does not have the time to evaluate a relocation. However, with a shorter-term lease, ASSP could reevaluate this in the future. Like every organization, ASSP needs talented and dedicated staff to succeed. It is likely that ASSP would lose a significant proportion of staff in a relocation, having a significant negative impact across all areas of ASSP operations. Replacing staff is costly and time-consuming.

### But if staff wants to work remotely, why would they need to relocate at all?

We currently are not considering a change to complete remote work. Like many workers throughout the country, our staff wish to have a hybrid work environment. This allows them to come to an office for team meetings, collaboration, etc., while providing the flexibility to work from home. This allows them to attend to other, nonwork, priority concerns and significantly improves work-life balance.

### I’ve been working from my job location throughout the pandemic. Why not simply tell staff they must return to the office?

Not every job lends itself to remote work. For people in roles that can be performed remotely, a remote option is increasingly important to job seekers. More broadly, the labor force is seeking several key factors that are critical to employee engagement and retention:

- Market-based compensation structure
- Flexibility in work hours and location
- Employment stability
- A culture that creates a sense of inclusion and belonging
- Work challenges that allow workers to collaborate, learn new skills and grow in their jobs

Increasingly, if employees are not satisfied along these dimensions, they are simply leaving for new opportunities. Employee turnover is costly and disruptive.

### What are the details around the leasing of alternative office space?

Staff is working to define space requirements, identify options and negotiate a lease, so specifics are still being defined. Guiding principles for the space include:

- Significantly reduced square footage as compared to the current building
- Flexible workspaces
- Lower cost
- Proximity to existing building
- Short-term lease (3 to 5 years)
  - It is believed a short-term lease will provide ASSP with flexibility needed to assess the long-term impacts of the pandemic



## MOTION:

ASSP Board of Directors		
January 28, 2022		
<p><b>Motion:</b> The House of Delegates authorizes the Board of Directors to sell the existing headquarters building at 520 N. Northwest Highway, Park Ridge, Illinois, and to lease alternative office space to meet the needs of ASSP operations.</p>		
<p><b>Justification:</b> ASSP has received an unsolicited offer to buy the Park Ridge building for \$4.4 million. The Board of Directors believes that accepting this offer and leasing alternative office space for operational needs is an attractive opportunity for the Society. Under the current bylaws, authority to enter into real estate transactions rests with the HOD, while the Board has fiduciary responsibility for fiscal oversight of the Society. As a result, the Board is requesting authority to sell the building and to lease office space to meet ASSP needs.</p> <p>Additional information can be found in this packet.</p>		
Currently within operational budget <input checked="" type="checkbox"/>		New budget item <input type="checkbox"/>
<p><b>Timing:</b> (When will the program launch?) With HOD approval</p>		
<p><b>Revenue:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>	Year 1\$: 4.4M	Year 2\$:
<p><b>Direct Program Cost</b></p>	Year 1\$: Leasing expenses TBD	Year 2 / Annual \$:
<p><b>Staff Cost:</b></p>	First Year Hr: First Year \$:	Year 2 / Annual Hr: Year 2 / Annual \$:
<p><b>Strategic Pillar Alignment</b></p>	Membership <input type="checkbox"/>	Education <input type="checkbox"/>
	Standards <input type="checkbox"/>	Value of the Profession <input type="checkbox"/>
<p><b>Specific KPIs</b></p>	Year 1	Year 2
<p><b>Reviewed by Finance Committee:</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>		
<p><b>Staff Liaison:</b> Bruce Sufranski, Director-Talent, Finance &amp; Administration</p>		

