



Building Purchase Update Updated 1/10/2017

KEY:

- ✓ indicates - complete as of 1/10/2017
- Δ indicates - steps remaining as of 1/10/2017

Timeline:

1. ✓ Offer to MESPA - 12/15/2016
2. ✓ Offer reviewed & insubstantial changes agreed to by attorneys for MESPA and AVC counsel.
3. ✓ Revised offer accepted and signed by MESPA and AVC on 12/23/2016
→ [SIGNED OFFER LETTER](#)
4. ✓ Post purchase intent in Central Register - regarding uniqueness of property; Must be posted for 30 Days before signing Purchase & Sale.
→ [PDF of Central Register Posting](#) (submitted 12/28/2016; published in Central register on 1/4/2017)
5. ✓ Apply for real estate mortgage
→ Status update: Proposals from Marlborough Savings Bank; Avidia, and MassDevelopment
 - ◆ Marlborough Savings Bank proposal recommended
 - ◆ 20% - 10 year, 15 year and 20 year rates proposed
6. ✓ Special Board meeting on January 6th, 2017 at 12:30 p.m. to vote to approve terms of mortgage.

Motion and Vote (at January 6, 2017 Board of Directors Meeting):

After determining that the mortgage rates presented are the most favorable available at this time and that the mortgage is necessary to carry out the purposes for which the collaborative is established the AVC Board of Directors voted unanimously (7-0) to approve the application for \$716,000 mortgage from Marlborough Savings Bank including the following terms: 20% downpayment; 4.75% interest rate; 15 year term) for the purchase of real property at 28 Lord Road (Suites 125 and 130) in Marlborough, MA

7. Δ Upon Board approval of terms of mortgage, Board members are required to notify member School Committees of AVC's application for real estate mortgage (must be done by February 4th, 2017 = 30 days of application)
8. Δ Inspection & report (underway) - to be reviewed by Board of Directors at January 27, 2017 Board meeting.
9. Δ Purchase and Sale to be completed between February 3, 2017 and February 8, 2017 (30-35 days following posting in Central Register).
10. Δ Marlborough Savings Bank will order an appraisal following the Purchase & Sale and will conduct underwriting activities (will take approximately 3 weeks)
11. Δ Closing - to take place by March 31, 2017

Notification to School Committees: (1/10/2017)

On January 6, 2017, the Assabet Valley Collaborative (AVC) Board of Directors voted to approve the terms of a mortgage for the purchase of two business condominium units (Suite 125 and Suite 130) at 28 Lord Road in Marlborough Massachusetts. This notification is provided to School Committees to comply with [MGL Chapter 40 Section 4E](#) and in accordance with [AVC's Approved Collaborative Agreement](#).

Mortgage Terms:

Agreed Upon Purchase Price (pending inspection): \$895,000

Down payment: \$179,000 (20%)

Principal: \$716,000

Mortgage Rate: 4.75%

Mortgage Term: 15 years

Anticipated Interest to be paid during Term: \$ 4.75%

10 year = 4.65%

15 year = 4.75%

20 year = 5.00%

Additional information:

Condominium Fees: \$16,238

Projected Annual Costs:

MESPA Office Space-Estimated Acquisition and Operating Costs				
28 Lord Road Ste 125&130, Marlborough, MA 01752				
(9,559 sq ft-City Assessor)				
	<u>FY17</u>	<u>FY18</u>		
Occupancy Costs:				
Custodial/Meeting setup	\$ 25,175	\$ 25,175		
Condo Association Fees	\$ 16,238	\$ 16,238		5.7% incr.
Insurance	\$ 6,550	\$ 6,681		
Property Loan (\$716k@4.75%)	\$ 66,831	\$ 66,831		
Telephone/Internet	\$ 5,250	\$ 5,355		
Utilities	\$ 9,100	\$ 9,282		
	\$	\$		
Total Occupancy Costs	129,144	129,562		

Rationale/Justification for Board Vote to approve purchase and mortgage terms:

The mortgage will provide financing to AVC for the acquisition of real property including 9,559 square feet of space that includes administrative and professional offices, training space for adults and young adult students, and a large training center that can serve up to 100 participants simultaneously. The office spaces will be used by AVC administrators and consultants to perform the work of operating the organization and the work of providing consultation and training services to AVC member districts as well as other customers who pay for services at AVC. AVC has become an active and vibrant PD provider, though lack of ample training space has limited offerings in the past. In addition, for large events, AVC has historically rented space from local hotels increasing the cost significantly - passed on to participants through fees.

Training and classroom space will be used for professional learning activities and will provide a “home base” for educational and vocational activities for post-graduate (18-22 year old) students enrolled in AVC’s Evolution Marlborough program - when these students are not engaged in activities in the community (work, travel training, community-based instruction). Relocation of these offices and services from AVC’s Alternative School Building (also in Marlborough) to 28 Lord Road will make 3 more classrooms available to the Alternative School for the purpose of expanding enrollment and implementing much needed renovations (including the installation of an elevator and a new roof).

What does AVC’s purchase of property mean for AVC’s services and financial stability?

- Mortgage terms have been approved by AVC’s administration and by a vote of the Board of Directors, who, upon review of audited financial statements and trends, have determined that the organization is in sound financial condition and can absorb the additional cost of mortgage payments within the operational budget of the organization.
- The increase of space available to AVC is projected to increase potential for revenue (thus funding the cost of the building acquisition) in the following ways:
 - AVC will offer more PD for increased revenue

- AVC will be able to lease out training space to other entities. Marlborough is a prime location for state-wide events given its central geography in the state and its location outside of traffic congestion of the metropolitan area.
- AVC will be able provide low-cost PD in the space utilizing an increasing pool of AVC staff experts & consultants including in topics related to personalized learning, leadership, technology, cultural proficiency, equity and inclusive practices.
- AVC will be able to increase enrollment in school programs at AVCAS and Evolution Marlborough as a result of expanded space (added tuitions).
- AVC will be able to continue to increase staffing for Family Success Partnership (FSP) wraparound program, with more office spaces to support this growth.

What does AVC's purchase of property mean for AVC's member districts?

It is expected that the purchase of 28 Lord Road, Suites 125 and 130, will add value to districts in the following ways:

- Expanded capacity to host professional development events of interest to member districts
- Expanded capacity to host job-alikes/role-alikes due to more meeting spaces and central location; given meeting room sizes, bringing multiple groups together is possible
- Expanded capacity to provide space to member districts for district business/PD
- Cost-savings for large PD events by significantly reducing rental and food costs associated with renting large venues in the hotel market
- New service domains including leadership coursework, learning laboratories, film screenings, and "unconferences" now possible.

It is expected that the purchase of 28 Lord Road, Suites 125 and 130, will not pose significant risk to member school districts for the following reasons:

- AVC is in sound financial condition (as per [Audited Financial Statements from FY16](#))
- AVC's mortgage includes a down payment of 20% (or \$179,000) with a mortgage term of 15 years; this purchase will accelerate equity that will further strengthen the organization's current and future financial stability.
- This purchase is an investment in property that will add assets and increase capacity of the organization to add services and revenue.

- Given the health and stability of AVC, there is no current concern about the organization not being able to meet financial obligations and no current concern about districts leaving the organization. Since 2011, AVC has admitted 2 new members (going from 13 to 15 districts) and three additional districts have inquired about membership.
- There is no current concern that the organization would be terminated or closed in the near future, however, if that were to change and the Collaborative was terminated, the property would be sold. The proceeds from the sale of the building would be used to first address any obligations or debts of the organization. The remaining funds from the sale of the building (along with any other remaining funds) would be distributed to member districts using the formula in the current approved [Collaborative Agreement](#).
- The building purchase is also an investment by our member districts as our 'disposition of assets' process in the Collaborative Agreement (should the collaborative be terminated in the future) would return more funds (from the sale of the building) to districts who have paid for more services through the collaborative since 2002 or since beginning membership.
- The following bullets below are excerpted from AVC's Approved Collaborative Agreement - filtered by the issues of real property debts and obligations (in the event of termination of the Collaborative):
 - "... a final independent audit will take place and will be provided to all appointed representatives and member districts as well as to the Department [of Elementary and Secondary Education], including an accounting of assets and liabilities (debts and obligations) of the collaborative and the proposed disposition of same according to Board policy
 - "Prior to termination, the Board shall:
 - determine the fair market value of all assets for the collaborative, including, but not limited to, real estate, capital property, equipment and supplies owned by the collaborative...
 - ...determine the means of meeting all liabilities (debts and obligations) of the collaborative All liabilities must be met before any monies are distributed to member districts.
 - ...ensure the appropriate disposition of all assets of the collaborative, including any unencumbered funds held by the collaborative, and any capital property and real estate owned by the collaborative. Unless

the Board determines otherwise, all assets shall be sold and the monies shall be distributed to the member districts based on a weighted average of all costs paid by each district to the collaborative since FY2002 - or the year of membership if after FY2002 - based on audited financial statements.”

AVC’s representatives on the Board of Directors (superintendents) are required to provide notice to their respective school committees about the Collaborative’s Application for Mortgage within 30 days of submitting the application.

This notice is intended to meet that requirement.

If there are additional questions or concerns, please do not hesitate to contact AVC’s administration:

Cathy Cummins, Executive Director - ccummins@avcollaborative.org

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