



Dear TIS Parents and Friends,

This letter is to provide you an update about the Custom House project and to inform you about the next steps in the process. Two weeks ago at the PTO Meeting, the TIS Board of Trustees presented information and answered questions regarding the Custom House. It was a lengthy and detailed presentation, and you can read an informative record of the presentation and parent discussion in the PTO minutes posted on the TIS website. Since then, the Custom House Committee has spoken with a number of parents, met with officials at General Services Administration (GSA) and the Department of Education (DOE), and continued its work of reviewing and refining estimates. Last Thursday, the full Board met to discuss the project and vote on the next step.

The Custom House project has reached what most likely is the penultimate stage in the process. The Board recently received a draft of the deed for the Custom House, a complex document that requires review by attorneys and negotiations with GSA and DOE to ensure that the liability to TIS is minimized to the furthest extent possible should it accept the building. As was discussed during the PTO meeting, there exists a mechanism whereby the school could accept the building and then later return it to GSA should the school determine during the process that the project is no longer feasible. The Board will seek specific language to be included in the deed to ensure that the certainty and the government's obligation to accept the building are clearly established.

The DOE plans to deliver the Custom House deed to TIS on **March 1, 2010**. **Therefore, the Board must notify the DOE and GSA before that date if it decides *not* to accept the building.**

A significant issue discussed by the Board at its meeting was whether TIS should accept the building and then spend the next year securing financing to pay for the project. As the PTO minutes reflect, there was much discussion by parents on whether or not it would be worth the expense to take what some parents called "a one year option" on the building in order to continue investigating funding options. One estimate puts the cost of this year at \$300,000. This would pay the cost of "mothballing" the Custom House (paying for maintenance, security, and insurance), as well as fees for hiring the many necessary experts, advisors, and attorneys required for pre-construction work, fundraising, and securing various tax credits. As the Board has communicated before, the project is eligible for various tax credits; however, these tax credits are extremely complex and expensive to procure.

As for the project's actual construction and other costs, the Board received many estimates over the past six months. After a lengthy RFP process that involved experienced Board and parent volunteers—the Board hired Venerable Properties to complete a Phase One Feasibility Study on construction costs and potential sources of funding. Venerable concluded that the costs of this project are substantial, largely due to seismic upgrades required by law. The Venerable estimate received by the Custom House Committee was **\$19.8 million**. This proposal included the costs of seismic, ADA, and life safety (i.e., lead paint abatement) upgrades, walls to partition

classrooms, finishes (paint, carpet, molding, and lighting), and fees/permitting, among other things. It also included a \$2 million contingency.

Upon receipt of this proposal, the Custom House Committee commenced a review to validate the numbers and consider alternatives. It thereafter asked two additional construction firms, Walsh Construction and Lorentz Bruun, to review the proposal and present numbers for a scaled down construction project.

As an additional measure, the Board hired Shield Obletz Johnsen (“SOJ”) to act as project manager, to review all of the numbers it had received, and to identify other move-in costs or sources of funding heretofore not included in the estimates. After considering all of the estimates, SOJ determined that it would cost **between \$12-15 million** to do the minimum amount of work necessary to occupy the building for the purposes of a school, i.e. seismic and safety upgrades. SOJ’s estimates included moving expenses, furniture and other supplies, and data/communications work as well as all other costs associated with the project. What this scaled down project means is that the building would essentially look as it does now. If TIS takes this approach, it would be with an eye toward improving the building over time and through additional capital campaigns and other fundraising efforts. SOJ also determined that there is an *additional \$2 million in deferred maintenance costs* for the HVAC system, elevator, roof, and other aspects of the Custom House. SOJ could not predict whether some of these deferred costs would be required immediately or over the course of years.

As for funding, the Board has identified approximately \$8 - \$10 million in potential sources to pay for this project. This figure is dependent on variable market conditions, the effects of the current economic downturn and many other factors. The potential identified sources of funding include, tax credits, sale of the school real estate, bank financing, as well as a substantial capital campaign from our community and various foundations and grants. As you can see, when one compares the projected costs and potential funding sources identified for the Custom House project, there is a significant gap between \$4-\$7 million.

After a lengthy discussion of the strengths, weakness, challenges, and opportunities associated with the Custom House, the Board decided at its meeting to establish a final milestone in this process, after which time it would vote to accept the building or not. This milestone involves three objectives, *all of which must be satisfied*:

- (1) to raise \$300,000 in pledges from the school community prior to February 23, 2010 to pay the costs of possessing the building for twelve months and engaging in comprehensive efforts to secure funding;
- (2) to achieve the goal of 75% participation by TIS families in this pledge drive; and
- (3) to successfully negotiate into the deed language that minimizes the school’s liability should it decide to return the building to GSA.

Should any of these objectives not be satisfied, the Board likely would conclude that it could not confidently move forward.

It is vitally important that you understand exactly where things stand vis-à-vis the Custom House as you decide whether or not to participate in this pledge drive:

- (1) The Board will vote to accept the Custom House only if it is satisfied that it is in the best interest of the school and consistent with its Strategic Plan;
- (2) Should the Board determine at any point in the next twelve months that the project be terminated any monies pledged and spent are not recoverable by the school;
- (3) Important issues such as the parking and middle school will not be resolved by the February 23 or March 1 deadlines;
- (4) Should the Board determine during this year to continue the Custom House project, the TIS community again will be called upon to contribute to what must be a substantial campaign to raise funds for the project; and
- (5) Should TIS acquire the necessary capital for the project and complete construction, the building it moves into would not be finished; indeed, it would be as is, with the necessary seismic and safety updates.

As you can see, this a difficult decision: on the one hand, the Custom House represents a unique and exciting opportunity for this school; on the other hand, occupying the Custom House would be extremely expensive and there is some uncertainty given the current economic climate. The Board is further committed to ensuring that money needed to fund the school and meet the needs of its students and faculty not be diminished in the process. Given all of these challenges, the Board needs the full and active participation of the TIS community. As such, the Board has decided to ask to hear from you in the form of this pledge drive.

To date parents have pledged \$35,000. Over the next several weeks, you will have the opportunity to voice your support for the Custom House. There will be additional communication to you about the mechanics of the pledge drive in the next day or so, including a pledge form. In the meantime, if you have questions or concerns about the Custom House or the pledge drive, you can email board@intlschool.org or customhouse@intlschool.org.

I want to say thank you again to the Custom House Committee and its sub-committees which included many non-trustee parents. They have spent hundreds of hours on this project. Most importantly, I want to thank this community who has offered incredibly thoughtful and insightful comments about the Custom House, our current site and the process to reach this enormous decision over the course of the last 10 months. It has assisted the Board and our experts refine and focus this project. Thank you.

Sincerely,



Michelle Kerin
President, TIS Board of Trustees