

REPORT OF THE TDX HOUSE RENOVATION COMMITTEE

Committee Members:

Dan Keefe
Jeff Weiner
Craig Jackman
Jon Ward
Lee Andrews
Dennis Higgins
Joe Fitzgerald

The Corp Board of Xi Deuteron asked the above committee to start the process of the planned renovation of the house. We were asked to start the preliminary groundwork on the renovation, i.e., to get some framework for moving forward. The committee has six primary recommendations for moving forward with the renovation of the house.

I would like to thank the committee members for the many hours they put into this project.

No Renovation, Rather Rebuild

As has become clear over the past few years and months, the physical structure of the house is showing its age. The committee, over several meetings, discussed a renovation versus a rebuild. The committee recommends that the Board consider a rebuild of the house for three primary reasons. First, as seen below, a renovation of the house our size would be prohibitively expensive. Second, also as seen below, a renovation would disallow a major portion of the financing of the project from going forward. Third, with a house as old as ours there are too many unknowns. That is, what can we expect when we actually start tearing into the walls. There is no way to anticipate what the costs and overruns would be for a renovation of our house with all its physical problems, so a rebuild, in our opinion, is the only option.

Funding The Project

The vision is to construct a smaller, 7,830 square foot house on three floors with parking, bike storage, weight room, laundry room, and utility room under the three floor structure. Our house, when full, has always hovered around 60-65 as the maximum the house can comfortably hold. Yet, much of the current square footage is underused or unused space. Also, a smaller house would make funding the project actually feasible.

Construction would begin in July 2011 with a target completion date in September 2012. The first rough assumption is that the cost of construction will be \$200 per square foot including the parking substructure. Therefore, total cost of construction

equals \$1,566,000. This rough estimate is of course only an assumption based on discussions with an architect prior to cost overruns.

The house sits on two separate lots and the parking lot is a separate lot. To finance the project the Board will sell a parcel of land 53 feet wide and 119 feet deep roughly equal to the size of the parking lot to a developer. The house itself would then be located closer to the Delts, on the two remaining lots. If the Board were to achieve a sales price of \$110 per square foot, the estimated proceeds would be approximately \$638,000. The \$110 per square foot estimate is purely an educated estimate, based on committee member's knowledge of real estate (but none of us are real estate agents).

The Board would request the National Ed Fund to contribute \$150,000. The current Board President is on the National Ed Fund.

The Board would request the local Ed Fund to contribute its entire endowment to the project. As of January 2008 the local Ed Fund has approximately \$95,000 in its endowment. By June 2011 the local Ed Fund's endowment should be roughly \$105,000. The Board and local Ed Fund would engage in a four year capital campaign from June 2008 through September 2012. The local Ed Fund would accept tax deductible donations and hold the donations in a separate account. The local Ed Fund would grant all proceeds of the capital campaign to the project with the exception of \$50,000. The \$50,000 hold back will still go to the project but in the form of a loan. Therefore, the only asset left in the local Ed Fund at the completion of the project would be the \$50,000 loan to the Board. The loan would be extended at a market rate unsecured with a 10 year amortization. Ed Fund participation would be contingent on the plan not jeopardizing the local Ed Fund's tax exempt status.

With all of the aforementioned assumptions the Board would fall short approximately \$424,000. One financing choice would be a mortgage loan from a bank or mortgage company. A bank or mortgage company financing would be difficult to obtain but certainly possible. Another option would be a loan syndicated among several alumni. A group of alumni would create an LLC (Syndicate) and capitalize the LLC with \$400,000 to \$600,000. The Syndicate would loan the funds to the Board. At first the loan would be structured as a multiple advance construction loan. The construction loan would be refinanced by the Syndicate with a permanent loan on a 20 year amortization with a seven year balloon. The Syndicate loans would be secured by a first deed of trust on house. Given the history of the Board defaulting on the bonds that financed the addition to the house in the 1960s or 1950s, no alumni in their right mind would participate unless the loan was secured by a first deed of trust. An expense not included in the assumptions would be loan fees by a bank or legal costs to execute a Syndicate loan.

Refer to the attached spread sheet that details each of the assumptions. Please keep in mind that all of the assumptions could change significantly over time.

Replacement Housing

During construction, the Board will have to find alternate housing for the undergraduates. To preserve a strong brotherhood, the undergraduates should be housed in one house. There are a few homes in the Greek System that could be rented for these purposes. However, they are in high demand, so it is recommended that action on this item take place soon so as to secure a large enough house for the undergraduates during construction.

Preliminary Players

The Corp Board will have to enlist the services of many professionals, including an architect/engineer, a construction company, and real estate agents. Selection of these people should begin sooner rather than later.

House Design

The committee recommends that the Board look to building a smaller house, for several reasons, some of which have already been identified (cost, funding, less wasted space). Another reason for a smaller house is that it would be easier to convert for the use of boarders, should that need ever arise. With all this in mind, the committee all agreed that the design must include the "face" of the house as it is now.

There were no architects on the committee, but Craig Jackman is an engineer who drew up a preliminary interior design. Jon Ward and Jeff Weiner tweaked it and the plans are attached, starting with the basement.

Next Steps

The Board should first make a decision on the funding of this project. That would entail a vote to sell the parking lot. The Board should also decide if it wants to rebuild the house, versus trying a renovation. Finally, the Board should form a permanent committee to oversee the project, if the Board decides to move forward with rebuilding the house.

ITB,

Dan Keefe
Xi Deut '91