

A Reference Sheet
to accompany
“Issues Identified by the Property Task Group”
Prepared by Charles Brainard

**The Cost of Acquiring School Space
by Brooklyn Friends School and by Friends Seminary
and
Property Settlement with the NYQM¹**

Acquisitions

1. BFS paid for substantially all the cost of acquiring the Pearl St. School Building and substantially more than two-thirds (~75%??) the cost of acquiring the Schermerhorn St. School Building.

This is reported in an extended study of the source of funds for acquiring the school buildings made by the Brooklyn Friends School Committee for the consideration of the Quarter. (See 4/20/08 and 6/21/08 BFSC reports, both the overall discussion and the supporting papers, and the CRB 12/11/11 spreadsheet summary of the payments for acquisition of space.)

- A. BFSC contributed its interest in the Schermerhorn St. School building to the Quarter in 2008. It’s 22,000 sq. ft. are rented, now for about \$700,000/year. In ~ 2009, the building was valued at a market price of \$12,000,000 - \$14,000,000 (some thought it was worth more)
 - B. Thereafter, in ~ 2009, when BFS wished to use the Quarter’s Schermerhorn St. School building it was told by the Quarter it would have to pay market price, and at the asking price it chose not to do so. (It apparently offered \$9,800,000 for this building (for which it had already paid about 75% of the acquisition cost, worth about \$9,750,000 in 2009; the total of their offer and the value of their past payments was thus about \$19,550,000.)
2. The Quarter paid all the cost of acquiring the three Historic Buildings along Rutherford Place and the large plot of land on a part of which they were sited. \$65,000 for the land and \$58,110.01 for the three buildings. (Both in 1860 dollars; See the Minutes of The Property Committee of the New York Monthly Meeting)

¹ This is a work in process, based on the best information now available to the Property Task Group. Last month there was encouraging progress in obtaining new financial information from Friends Seminary relating to its payments for use of the Historic Buildings as is discussed at p. 4, §12 below. All are invited to contribute records and information and to flag errors or lack of clarity which they think might be helpful to the better statement of anything that is discussed here.

Note that the land was more valuable than the buildings. Note that some recent valuations of the buildings (for fire insurance) have been for their replacement cost, which does not include the value of the land (and are not appraisals).

3. The Quarter paid a substantial portion (half??, only a portion of the records have been made available by the Friends Seminary School Committee) of the cost to construct the 1964 Building and purchase some additional land for it and permitted a substantial portion of the Meeting’s land to be used for a part of the 1964 building site. (See collection of incomplete records which were supplied by FSSC representatives last summer, and which need to be supplemented.)
4. The Quarter permitted a substantial portion of the Meeting’s land to be used for Friends Seminary playgrounds. (The plot map of the Meeting’s land, and visual inspection.)
5. The Quarter permitted a substantial portion of the Meeting’s land to be used for a portion of Friends Seminary underground athletic center: gym, locker rooms and etc. (The plot map of the Meeting’s land, and visual inspection.)
6. The Quarter permitted other portions of the Meeting’s land to be used for underground heating and utility supply facilities which, inter alia, supply the 1964 Building and other school buildings.
7. Friends Seminary has provided no records for The source of funds for the acquisition of the old Masonic Temple on 15th St. or the town houses on 16th St. is not established. The source of these funds may well have been Friends Seminary, parents of students, alumni, teachers and other persons relating primarily to Friends Seminary (rather than the Meeting and persons relating primarily to the Meeting), but Friends Seminary has not yet been provided any records of that.

Use of the Quarter’s Historic Buildings along Rutherford Place

9. In the past, and unlike Brooklyn Friends School, Friends Seminary has not been asked to pay and has not paid market price for its use of some 31,000 sq. ft. of space in the Quarter’s Historic Buildings along Rutherford Place. (This is a space about 40% larger than the Schermerhorn St. School Building.) Instead, Friends Seminary has paid a share of those capital improvements and maintenance expenses for which the building owner (or landlord) would otherwise be paying.

Friends Seminary’s share has been calculated as follows: a) All such expenses for space which it exclusively uses (like new windows in that space, some 9,875 sq. ft.), b) It’s proportionate share of those expenses for specific space which it shares (like new windows in that space, some 21,311 sq. ft.), and c) It’s overall proportionate use share of the buildings for overall building work (roof, brick pointing, foundation work, heating system, chimney, sidewalk, fence, etc.). (The overall proportionate share is based on its use of

24,366 sq. ft., this being both space it exclusively uses and it’s proportionate share of the space which it shares.)

10. Based on the cost of such capital expenses and improvements on the building for the last eight years (2004 – 2011, 2011 projected; this being the period of time for which we have so far been able to secure the records), and based on the above cost sharing arrangement, it appears that Friends Seminary has paid an average of just under \$100,000/year for its use of shared space and overall building work (categories b) and c) above). For its use of its exclusive space (Category a) above), it is assumed that the cost for comparable expenses in the same buildings would have been prorata the same. That would be something like \$32,000 – \$41,000/year (a rather rough estimate since today we don’t have the broken down data from Friends Seminary on what all the expenses it has recently reported are for, and we don’t have the data from NYQM broken down to separately state the Category b) and c) expenses.

Based on what we do know, it appears Friends Seminary payments for these expenses which, but for the sharing agreement, the Quarter would be paying, would average something like \$132,000 to 141,000/year.

In addition, Friends Seminary had the extraordinary expenses for the Seeger Center in 1993 and 2010 and for the elevator in 2007 (which may be considered expenses for which the Quarter or a landlord would have otherwise paid) roughly total \$1,700,000 - \$1.750,000. Using the larger number, that would be an average of just under \$80,000/year over the 22 years for which Friends Seminary has supplied basic summary data. (Total of 212,000 – 221,000/year, in 2010 dollars; The Friends Seminary allocation of a share of the elevator cost to the Meeting has just been accepted for now, but has not yet been reviewed.)

The average payment by Friends Seminary to the Quarter for over the last 22 years for those expenses the Quarter, as building owner or landlord, would otherwise be paying for the buildings capital improvements and maintenance expenses thus appears to be \$212,000 – \$221,000/year, in 2010 dollars, including the Seeger Center and the FS so far assigned share to the Meeting of the Elevator).

- 11: The fair market value of the 31,186 sq. ft. of space Friends Seminary used was about \$1,169,475/year. (This is based on a fair market value estimate of \$35/ sq. ft. to \$40/ sq. ft., with the average \$37.50/ sq. ft. being used. Friends Seminary has recently looked at space on 16th St., the cost of that space could be averaged in or otherwise taken into account if it were provided. More generally, while the estimate of estimate of \$35/ sq. ft. to \$40/ sq. ft. was based on a school rental price survey, it was for generic school space and did not take into account the specific school buildings at Rutherford Place. If the Quarter wishes to consider this further, the next step would be to have the estimate refined by an inspection of the buildings, to update the survey and to do this with the participation of both Friends Seminary and Quarter experts or consultants.)

12/16/11 A Reference Sheet to accompany “Issues Identified by the Property Task Group”
— prepared by Charles Brainard

Because 21,315 sq. ft. of that space is shared or used in common with the NYQM, our tradition apportions only 24,366 sq. ft. to FS, and the value of that is about \$913,725/year (a savings of \$255,750, or 22%).

The annual subsidy of Friends Seminary by the Quarter thus appears to be something like \$700,000/year (the difference between Friends Seminary payment of a share the capital expenses and improvements for the Quarter’s buildings and the value of the space apportioned to it.)

Assuming an Friends Seminary annual budget of \$29,000,000, an \$700,000 increase to bring Friends Seminary payment to fair market rate would be an increase of 2.4%.

An increase in Quarterly income of \$700,000 would be an increase of about 39.0%

Work is continuing to refine these numbers. New information and any corrections or improvements or supplements pointed out to me will be used to provide an updated Reference Sheet for the Quarterly meeting.

New Information

12. New information provided by Friends Seminary last month provides a basis for reconsidering past work and the understanding.

More particularly, about a month ago, 11/22/11, Friends Seminary, by one of its new co-clerks, gave the Property Task Group an initial spreadsheet report of capital expenses for the Historic Buildings, and a general indication of what some of the expenses were for, which is being supplemented, evaluated, refined, corrected, etc. and is expected to make a very helpful contribution to our factual understanding. This includes new information from Sisi, which is also much appreciated and promises to be helpful to refining our understanding.

At this point, many of the expenses included in the 11/22/11 spreadsheet appear to be for fixtures and furnishings and other renovation for school use, for which the Quarter or any other landlord would not be expected to pay for (after years of occupancy, and for only an ordinary rent of something like \$35.50/ sq. ft.).

These type of expenses were *not* included in the report of Brooklyn Friends School acquisition expenses for their school space, which is reported above.

At this point, the \$700,000 estimate of the annual subsidy of Friends Seminary by the Quarter still seems a good one.

Fairness as between the New York Quarterly Meeting and Brooklyn Friends School and Friends Seminary

Our charge: “The purpose of the Property Task Force is to develop a proposal for the resolution of all property and related issues in connection with the proposed incorporation of Friends Seminary. **The committee should seek a resolution that is fair and will allow the Quarter, Fifteenth Street Monthly Meeting and Friends Seminary to flourish in the present and into the future.**”

1. There has been no study of the bolded charge, and there should be.

Charitable Contributions for Friends Seminary, Brooklyn Friends School and other Quaker Organizations.

1. Aside from being fair and allowing both Meetings and Friends Seminary to flourish, it is not clear that the PTG is charged with determining whatever charitable support is to be given to Friends Seminary. The Quarter may wish to have the question of charitable giving be the concern of a specific outreach or other committee.

Typically charitable contributions are decided in view of the funds available to the giftor, and can be prudently larger if the giftor’s financial situation is known at the time the gift is determined, rather than made a long term fixed commitment.

Making a very large gift now, without knowing the future, may not be prudent, and especially not if we show the same consideration for Brooklyn Friends School as has been requested for Friends Seminary..

2. If the PTG were to consider and responsibly recommend charitable support to Friends Seminary (as distinct from a fair property settlement), a host of considerations would have to be dealt with, including alternative charitable uses for the funds, the uncertainty of the Quarter’s future financial health, etc. These have not been addressed. For a few examples:
 - A. We do know that only a few years ago Trustees were concerned that if the Quarter made a charitable contribution of something like \$65,000 to Quaker schools in Africa, our financial health would be threatened. We would need to understand the basis for that concern in considering a subsidy which is requested to be ten times larger, as part of a thoughtful.
 - B. Trustees have recently had a study made of the long term trend of our investment endowment which is not entirely reassuring. This is just one example of the information that should be available to whomever is to recommend to the Quarter what its charitable giving policy should be, including the prudent amount of the giving.
3. There should be a complementary review with concern for Friends Seminary’s financial health and, in fairness, that of Brooklyn Friends School.

An Agreed Framework and Procedure for Sharing Space

12/16/11 A Reference Sheet to accompany “Issues Identified by the Property Task Group”
— prepared by Charles Brainard

1. Working out a framework and procedure for resolving all the problems experienced in sharing space would help this be an orderly process, leading to more consensual and mutually comfortable sharing than has been the case in the past.
2. This is included as an additional issue, which the Property Task Group has not yet gotten to.

Expansion

1. Friends Seminary wants to expand. We should have a clear understanding of such plans and thinking as there are, for the sake of being comfortable with them (and not unhappily surprised in the future, neither for what the plans are nor for our failure to provide for them in the formal papers.
2. This is included as an additional issue, which the Property Task Group has not yet gotten to.

The Use and Safeguarding of the Friends Name, Trademark and Service Mark

1. This issue is included in “Issues Identified by the Property Task Group”, and that group is considering it. The following is just information for understanding the issue.

“Friends” is the Quarter’s Service Mark for schools in this area, a mark the Quarter has used to identify its schools in the New York area for 225 years.. More recently, its Friends schools have sold or distributed products using the “Friends” school mark in the New York area.

Owning a Service Mark or a Trademark is what keeps others from using the same identification for their schools or products.

With the separate incorporation by Brooklyn Friends School² and with Mary McDowell commencing to use “Friends” in its name³, a formal license by the Quarter of its “Friends” trademark and Service mark to authorize the schools to use it would be helpful to establishing that others, without the license, may not use it. A short but proper written license agreement from the Quarter to each of these Schools would suffice to protect the marks. It could be royalty free, or \$1.00/year. The Essential Principles could serve for the required assurance of quality. A like license agreement would be needed for Friends Seminary upon its separate incorporation.

² Brooklyn Friends School has recently incorporated, with Quakerly Essential Principles in its formal corporate papers and with its warm relations with the Meeting facilitated by having Friends on its board and by the Brooklyn Care Committee

³ Mary McDowell has recently changed [or is changing?] its name from “Mary McDowell _____” to “_____ Friends School”, and is seeking a care relationship with the Brooklyn Friends Meeting.

12/16/11 A Reference Sheet to accompany “Issues Identified by the Property Task Group”
— prepared by Charles Brainard

It would enhance protection of the Quarter’s marks for the Quarter to register them for the New York area at the United States Patent and Trademark Office. The cost of registration is modest.

Possibly the name and mark “Quaker” ought also be protected for the schools, and would be available for this protection.

**Long Term Assurances for the Survival of a Friends School
and
For a compatible neighbor for the Meeting**

1. Carrying fair and reasonable insurance for personal injury and other liability and insulating the Friends name and the buildings from further liability.

2. Providing that if the school ceases operation, the buildings and land revert to the Quarter.

A) A part of this might be some limit or condition on mortgaging of the buildings,

E.g., that the Quarter might have an option to buy buildings being foreclosed upon at a fair, perhaps arbitrated price,

E.g., that the buildings could be sold only for approved uses, those compatible with being adjacent to a Friends Meeting. The same restriction would apply to permissible uses available to the lender upon foreclosure of a Mortgage.

3. A portion of this issue is included in “Some Issues Identified by the Property Task Group”, and that group is considering it. This is to include the other portions of the issue, which the Property Task Group has not yet gotten to.

— Charles Brainard