
Report of the Guild Committee on Location to the Membership

June 22, 2004

Members of the Guild Committee on Location

Reza Namdar, *Unit Chair*
John Small, *Unit Vice Chair*

Bruce Kaufman, *Committee Chair*
Kathleen Carroll
Nancy Korendyke
Ken May
Keith Hill
Pat Phibbs
Linda Roeder
Dean Scott

FINDINGS

Of the Guild Committee on Location

- BNA says it wants to maintain its principal office in Washington, D.C., where it has been headquartered since 1929. Nevertheless, BNA appears to be seriously considering relocating its headquarters to an as-yet undetermined location in Maryland or Virginia, which might not be accessible to Metrorail, citing the need to reduce certain recurring business expenses.
- BNA says it is considering a new location outside Washington, D.C., for the company's headquarters because of lower business costs among nearby jurisdictions. BNA says that recurring annual business expenses, such as corporate taxes, workers' compensation and other insurance, and energy costs, are far higher in Washington than in Maryland or Virginia.
- BNA contends it will save about \$2.5 million a year in recurring business expenses if it were to move to what it calls a "close-in" location in Maryland or Virginia, and would reap still greater annual savings if it were to move to a location "further out" in Maryland or Virginia.
- BNA provides as examples of "further out" locations, the Dulles Corridor and Germantown. BNA notes that while such locations may offer the greatest savings in recurring business expenses, they also offer greater disadvantages in terms of intangibles, such as impact on employees. Nevertheless, BNA has said it is continuing to consider "further out" sites during the decisionmaking process.
- BNA is not considering other locations in Washington, D.C., for its headquarters, based on the recommendation of the Staubach Co., a relocation firm hired by BNA to represent its interests in the process. BNA says a report by Staubach Co. concluded BNA would not reap adequate annual savings in business expenses if it were to relocate its headquarters to a new location within Washington.
- BNA says that as part of its examination into relocation, it is studying whether some workers with a proven business need should continue to be located in Washington, even if a new headquarters is selected for Maryland or Virginia. BNA says that if it decides a reduced Washington, D.C., office remains necessary it will look into leasing or purchasing commercial space in Washington for that purpose. BNA says it will weigh that option against the projected cost of transporting employees, as needed, to events in Washington.
- A Facilities Planning Task Force selected by the BNA Board of Directors has been researching the issue of relocation for over a year and is expected to recommend a course of action to the BNA Board of Directors by the end of 2004, or spring 2005 at the latest.
- There are no bargaining unit employees on the Task Force, or on the BNA Board of Directors.

- If the Task Force decides to recommend relocation, it is likely the Task Force will accompany its report to the Board with a recommendation to sell BNA's current Washington, D.C., buildings, and an Agreement in Principle with a particular developer to purchase specific property in Maryland or Virginia for BNA's new headquarters. The monies obtained from the sale--perhaps as high as \$40-50 million--would be used for the purchase of the new property.
- The Board could act on that recommendation quickly, and with little to no input from BNA employees.
- If the Board votes to relocate, BNA would likely move around the end of 2006 or early 2007, when the company's agreement with the D.C. Government expires. The agreement requires BNA to maintain its headquarters in Washington, and lease certain additional space, in return for a 10-year deferral in property taxes. The agreement requires BNA to pay the D.C. Government \$10 million--the amount of deferred taxes--on Jan. 1, 2007.
- Staubach Co. is currently soliciting bids from developers for property that meets BNA's stated needs for a new headquarters---in terms of space, parking, and numerous other factors---as detailed in a formal Request For Information (RFI).
- BNA has also retained a law firm in Washington, D.C., to oversee legal issues related to the relocation process.
- BNA says the RFI notes the company's preference for an urban location with access to Metrorail. However, in the event such a prime location is not available, BNA says the RFI states the company's preference for expanded parking availability.
- Based on a recommendation by Staubach Co., BNA says the RFI also notes BNA's strong preference to purchase property, and not to lease. A lease is disfavored, in part, because BNA will incur significant tax liability if it decides to sell its current properties in Washington, and not purchase new property. Similarly, it is possible BNA would also incur liability to employees in terms of Profit Sharing if it were not to roll-over the profit from a sale into a new purchase.
- BNA says that because of a confidentiality agreement with Staubach Co. and because the RFI contains proprietary information that could impact BNA's leverage if it became public, BNA has repeatedly declined to provide the Guild with a copy of the RFI or even show it to the Guild in a setting intended to preserve its confidentiality.
- The revised deadline for developers to respond to the RFI is June 30, 2004. The initial May 31, 2004, deadline was extended, apparently because of inadequate feedback.
- BNA says Staubach Co. will collect and analyze all responses to the RFI, and report its findings to BNA, over the summer. As of June 3, 2004, BNA says it has not seen any responses to the RFI, and is not aware if any credible replies have been received.
- BNA says it is studying the cost of renovations to its current Washington, D.C., headquarters, particularly to its elevators, heating, ventilation, and air conditioning systems, but could not offer an estimate on how much such renovations would cost. BNA has indicated it is not necessarily interested in expanding the size of its current headquarters as part of a renovation. BNA notes that additional space is not viewed as critical, that changes in height or geographic footprint could implicate zoning concerns, and that such changes would likely result in an increase in recurring business expenses.

- If BNA were to stay in its present 230,000 square-foot location and perform extensive renovations, additional space must be leased nearby, possibly at BNA's present 23rd Street office, for employees to relocate on a temporary basis. The space at 1250 23rd Street could be leased by another party, however, if BNA acts too slowly.
- BNA says it is also studying the cost of moving BNA's headquarters to the 12-acre site it owns on Key West Avenue, in Rockville, Md., which currently includes a six-acre structure that houses BNA's customer service and circulation departments, and functions as a warehouse. BNA says it has recently hired a Maryland law firm to review legal issues relating to such a move, including zoning.
- BNA says it is examining the 110,000 square-foot Rockville location as a possible site. However, BNA notes some preference for maintaining that site as currently utilized. Maintaining a back office space, such as in Rockville, provides BNA with a degree of redundancy in the event an emergency at its headquarters compromises the ability to publish from that location.
- If BNA decides to move its headquarters to a new location, it is uncertain whether the company will move any or all staff currently in Rockville to that new location. BNA contends that moving all employees and functions from currently owned and inexpensive space in Rockville to a new headquarters, which may be located in an expensive urban location, would needlessly increase the required size of a new facility, its cost, and result in expanded annual expenses.
- As of June 3, 2004, BNA says it has not met formally with officials from any jurisdiction, including Washington, D.C., concerning a possible move, and has no meetings planned.
- BNA says that to stay in Washington, it will need an agreement with the D.C. Government providing greater savings than provided under the 1996 agreement with the D.C. Government.
- BNA says it has had numerous informal discussions with key players in the real estate and political communities concerning its relocation goals, and it is hoped that these types of discussions, often along background channels, will help pave the way for fruitful discussions and/or negotiations in the near future with governmental officials in Washington, D.C., Maryland, and Virginia.
- BNA says it hopes to use as leverage in its planned negotiations with the D.C. Government that BNA is a model corporate citizen, a non-polluting company that employs over one thousand workers in Washington, many who dine or shop in the area near where they work. BNA may also be expected to use as leverage proposals from jurisdictions in Virginia and Maryland offering financial incentives to relocate into those areas, assuming such offers are extended.
- BNA says that as part of the relocation process, it has performed a comprehensive survey of employee preferences based exclusively on a review of home addresses. BNA contends its geographical survey provides valuable insight into employee views on relocation.
- Among BNA employees who work in Washington, D.C., about one-quarter live in that jurisdiction, about one-quarter live in Virginia, and about half live in Maryland.

- BNA says it will continue to meet with representatives from the Guild Location Committee, to provide updates and answer questions on the process.
- BNA says it will seek additional input from the Guild, perhaps this fall, to ensure employees' views on the process are taken into consideration. However, BNA says it sees little value in surveying employees further until it narrows the options on a new location.

REPORT and CONCLUSION

It is the unanimous view of the Guild Committee on Location that a decision by the BNA Board of Directors to relocate its corporate headquarters outside of Washington, D.C., and especially to an area that is not reasonably accessible to Metrorail service, is foreseeable, and would have a significant adverse impact on BNA employees in many important ways, affecting critical decisions on housing, commuting, schooling, and day care.

This Committee, at the outset, expresses significant disappointment that BNA has failed to include a member of the Guild in its Facilities Planning Task Force, even in an ex officio capacity, and has declined repeated requests to provide this Committee with copies of the Request for Information or the Staubach Co. report to BNA on relocation. This Committee strongly believes that these documents could have been provided to the Committee in a manner that would have minimized the risk of disclosure.

At a practical level, these unfortunate oversights have made this Committee's research task more difficult because key facts and opportunities are escaping our purview. Worse, it has needlessly raised suspicions among employees about BNA's commitment to fairly weigh the costs and benefits of relocating its headquarters outside of Washington, suggesting to some that BNA has already made a decision on relocation and is trying to orchestrate municipal governments to its advantage.

This Committee, however, believes a final decision on relocation has not been made, and that the outcome of this process is in play and can be impacted by employee education and mobilization. With that goal in mind, this Committee identifies the following concerns as paramount, and the basis for its conclusion:

- BNA contends a potential move is justifiable because the company can save about \$2.5 million a year in business costs if it moves to certain locations in Maryland or Virginia. We do not contest this figure nor make light of it. However, given the extraordinary action contemplated, this sum does not appear weighty for a company with long-standing ties to the District of Columbia and annual revenues exceeding \$310 million a year. This Committee takes note that annual payments on debt incurred in relation to the \$70 million borrowed for the acquisition of subsidiaries Kennedy Information Inc. and STF Services Corp. are currently approaching \$7 million and will peak at \$13 million in 2011. Additionally, State Legislatures in Maryland or Virginia could increase key corporate taxes or fees at any time, making long term savings projections uncertain.

- This Committee also expresses concern that BNA may be overestimating the strength of its case in seeking financial incentives from the D.C. Government to remain in Washington. The commercial real estate market in Washington is very strong, and numerous white-collar companies are seeking prime property, similar to that owned by BNA, for relocation or expansion. Furthermore, no apparent trend suggests the D.C. Government will provide significant financial incentive for a company the size of BNA to remain in Washington, at least not in the amount sought by BNA. It is true that BNA is an outstanding corporate citizen, but this company has already tapped the D.C. Government once and it appears unrealistic to this Committee to assume BNA can do still better a second time. In a related concern, it appears to this Committee that BNA will spend hundreds of thousand of dollars on legal and consulting fees as part of the relocation process. Although some expenditure is clearly justified, this Committee takes note that this large expenditure may have the unfortunate effect of significantly increasing the threshold amount in savings that the D.C. Government must provide to BNA as an incentive to remain in Washington, which is the clear wish of a majority of employees.
- This Committee is also troubled that deep into the relocation process, BNA cannot or will not say how much it will cost to renovate the existing headquarters to BNA's satisfaction or alter the Rockville property for use as the company headquarters. These figures are knowable, and due diligence suggests they should have been analyzed at this stage of the process. It is uncertain to this Committee whether these omissions constitute a failure to perform timely analysis, or whether BNA is trying to hedge on information it provides to this Committee out of a concern that disclosure could affect the company's leverage in potential negotiations with jurisdictions. Either way, it leaves this Committee in doubt as to whether BNA is prepared for the more difficult task of weighing the quantifiable savings in business expenses against the less-quantifiable costs in human terms stemming from relocation.
- The timeline BNA has established for deciding on a possible move makes meaningful employee input impossible. BNA has indicated its Task Force's plans are to make a recommendation around year's end, and for the Board to accept or reject that recommendation soon after that. This timeline greatly troubles this Committee, because at the moment when the ultimate facts become first known to the workforce and the stakes are the highest, most employees will be on leave or predictably focused on long-standing family commitments.
- Finally, this Committee believes that BNA has failed adequately to survey employees on their views and concerns relating to a possible move, and has no meaningful plans to remedy this serious omission. BNA says it is open to surveying employees this fall once it narrows down the list of possible sites. This is a welcome step, but still falls short. Employee input should be viewed as critical in deciding whether this employee-owned company, with long-time roots in Washington, should move at all. It should have been obvious to the Task Force, as it is to this Committee, that any real measure of Employee Ownership lies not in repeated homage to the ideal, but in a proven commitment to listening to workers at all levels and incorporating their views into corporate decision making.

It is this Committee's sense that BNA bears a burden in showing that a move outside of Washington, D.C., is needed and financially essential to the well being of this company. Based on all facts available to this Committee, it is the unanimous sense of this Committee that BNA has not made the case for relocation, and that a move is therefore not justified and should be opposed by Guild membership.

This Committee, once again, strongly urges BNA to reconsider its decision not to include a member of the Guild on its Facilities Planning Task Force. Such an action would add a needed perspective to the Task Force, ensure greater employee input into the relocation process, and help minimize the impact of a potential move on employees.

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APPENDIX

Key Facts Unknown to the Committee:

1. The contents of the Request for Information.
2. The contents of the Staubach Co.'s report to BNA on relocation.
3. BNA's timeline for deciding whether to relocate.
4. How much a move to another location will cost and the timeline.
5. What concessions from the D.C. Government would be enough for BNA to remain in Washington.
6. BNA's preferred sites for relocation, if any.
7. Cost and timeline of renovating the current Washington, D.C., headquarters in lieu of relocation.
8. Cost of leasing additional space in Washington, if BNA chooses to maintain a reduced presence, and who would be stationed at that office.
9. When BNA expects to meet with potential jurisdictions, and under what conditions.
10. How BNA arrived at its \$2.5 million savings figure.
11. Comparative cost of relocating to each jurisdiction.
12. Exact breakdown of differences among jurisdictions in taxes, workers' compensation, insurance, and energy costs.
13. How much BNA is spending to retain Staubach Co., a Washington, D.C., law firm, and a Maryland law firm.
14. How many employees BNA may lose if the company moves.
15. BNA's calculations on how far employees might be willing to travel if BNA moves.
16. How many current employees are at or near retirement eligibility, and might choose that option if BNA moves.
17. How much profit BNA will make on the sale of its buildings, and the resulting tax consequence.