



## Questions & Answers on An Option to Ensure TBA's Future

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*The Texas Bankers Association's (TBA) Board of Directors has explored the option of investing in a new building on TBA's property that, through the leasing of office and parking space, would provide a considerable and ongoing revenue stream to help fund association priorities for years to come.*

*TBA has a unique opportunity to maximize member benefit by leveraging its current asset. The land is valued at \$11 million in this prime location, and independent analysis indicates there is opportunity to earn more than \$50 per square foot for office space and more than \$2200 a year per parking space.*

*A committee of bank volunteers with expertise in the market has recommended a building option that would accommodate appropriate TBA functions while also providing 85,100 leasable square feet and 279 leasable parking spaces. With total development costs of \$34 million, excluding the land value, the committee has recommended utilizing \$9 million of TBA's \$18 million in operating cash and reserves with a \$25 million bank note. No equity partner would be required. Conservative estimates indicate the new building would generate approximately \$1 million in net cash flow each year after debt service and expenses.*

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### **Has TBA's Board of Directors decided to invest in a new building?**

No. TBA's Board has explored this revenue option to support association priorities for years to come, but no final decision has been made. That decision will be made by TBA's membership.

### **Will the membership have an opportunity to vote on this option?**

Yes. TBA's Board believes it is prudent to pursue this investment in TBA's future, but a membership vote will be conducted October 29 – November 2 to determine whether or not the project will proceed.

### **Why invest in a new building at this time?**

TBA is blessed with a strong financial position and an extremely valuable piece of real estate near the state capitol in Austin. Austin is rapidly growing, commercial office space downtown is in high demand, and studies suggest both trends continuing. Meanwhile, the current TBA building underutilizes the value of the property and bank industry consolidation is leading to increased pressure for new revenue streams to sustain the association without increasing member dues. The confluence of these factors suggest it may be prudent to invest in a new building at this time for the long term viability of the association.

### **Would this building investment divert TBA from its mission?**

No. TBA's mission is to provide extraordinary service to extraordinary members. Faced with a consolidating industry, TBA's Board has adopted strategies to pursue new services or business to generate non-dues revenue to support that mission. In order to provide advocacy, products and services to meet member needs into the future, it is imperative to identify additional, sustainable sources of revenue. TBA will not waiver from its mission; this investment would only serve to support it.

## **Would TBA manage the project or the property?**

No. TBA is not getting into the development or property management business. A company with relevant expertise would be utilized to manage the project and lease office space. That expectation has been factored into all financial projections. TBA will remain focused on its mission.

## **What additional costs would TBA encounter as an owner?**

TBA would encounter modest cost associated with general building maintenance; the bulk of those costs would be passed on to tenants. Any costs anticipated by TBA have been factored into financial projections.

## **Would this be good stewardship of TBA resources? Are there better uses?**

TBA's Board takes seriously its fiduciary obligation to steward the association's resources responsibly. The Board has considered several revenue opportunities during recent years. None of the options to this point provide such considerable, ongoing revenue while diversifying the association's income with a revenue stream not reliant on a consolidating bank market.

## **Will TBA be responsible for the debt required for this project? What is the reputational risk if we are unable to meet obligations?**

Yes, TBA would be responsible. There could be some level of reputational risk with any loan, but – given the financial standing of the association and the various factors pertaining to this scenario – the bankers who analyzed this project believe the level of risk to be minimal and acceptable.

## **How can I obtain more information on this potential investment in our association's future?**

In addition to a breakout session during TBA's Convention and an information page on TBA's website, TBA's volunteer leadership engaged Texas bankers about this opportunity in several venues throughout the summer. This outreach included 17 stops throughout the state during TBA's Texas Tour:

June 9	Austin	✓	June 21	Midland	✓
June 18	Nacogdoches	✓		Waco	✓
	Houston	✓		Fort Worth	✓
	Sugarland	✓	June 22	Dallas	✓
June 19	McAllen	✓		Kilgore	✓
	Corpus Christi	✓			
	Victoria	✓	July 10	El Paso	✓
June 20	Abilene	✓			
	Amarillo	✓	July 20	San Antonio	✓
	Lubbock	✓			

Additional, regional meetings (Dallas, Houston and San Antonio) dedicated to this topic were offered to member bank leaders and, to accommodate any bank leaders unable to attend any of the Texas Tour or regional meetings, TBA conducted a related webinar in mid-August.

TBA members still in need of information about the building opportunity can visit the related page on TBA's website ([www.texasbankers.com](http://www.texasbankers.com)) by selecting the "Ensuring TBA's Future" tab under "About TBA." The "TBA Building Presentation Video," roughly 30 minutes in duration, was utilized for the August webinar and is recommended for the best overview.