AICHE HEADQUARTERS RELOCATION

AIChE has been preparing for the end of its lease at 3 Park Avenue, New York since 2005, when a committee of volunteers and staff was formed to address the issue. As the move approached, the committee and the Board requested the assistance of an expert management consulting firm to help with the analysis. This study's recommendation resulted in the decision by the Board to remain in the greater New York City area.

Discussion

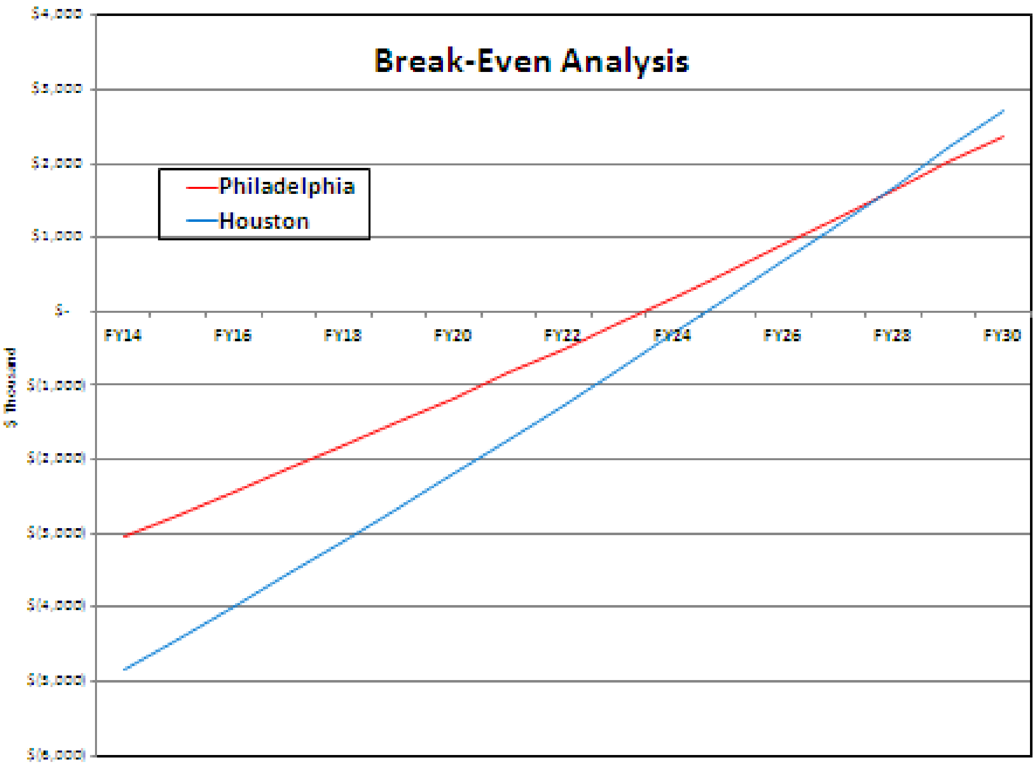
After going through an RFP process, the Board chose Quatt Associates, from the DC area, who serves the not-for-profit sector, to conduct the cost/benefit analysis. Quatt examined three locations based on boundary conditions set by the Board. The first location was Houston, which represented the lowest cost option. It also would put headquarters in the heart of the U.S. chemical industry. The second option was to remain in New York. The third location, Philadelphia, was somewhat of a hybrid case. Costs would be low and some staff would remain for institutional knowledge. Other locations (e.g., DC and Chicago) were not included, due to their higher rent and salary cost structures.

Quatt methodically executed this study. They performed market analyses of AIChE positions and evaluated talent pools in the various locations (i.e., associations are strongest in DC, Chicago, and NYC while more ChemE talent is available in Houston). They conducted in-depth interviews with key volunteers and staff to discern important considerations. Their analysis was quantitative, and they did not include non-quantifiable impacts such as institutional memory or continuity of services.

Results of this study showed that both Houston and Philadelphia have rent and compensation savings compared to New York, as shown below.

Savings/Costs	Houston	Philadelphia
Rent	$140K	$190K
Compensation	$540K	$280K
Average move	-$5.5M	-3.5M

Quatt estimated that the average cost of a move would be $5.5 Million for Houston and $3.5 Million for Philadelphia. Houston, despite its higher savings, does not break even until 2025. Philadelphia breaks even in 2024 due to slightly lower costs, though savings are lower. The following graph depicts these break-even analyses:



Savings and Cost Details

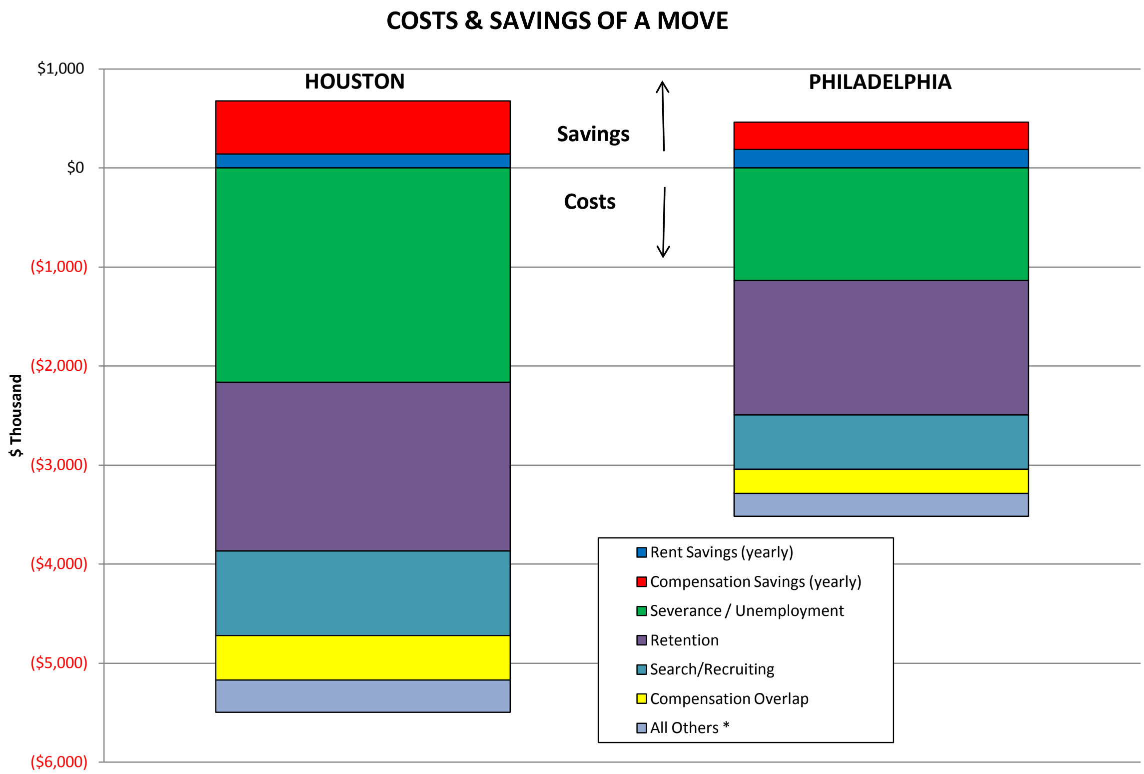
Savings come in two forms, salary and rent. Salary savings are based on the current staff structure, and savings are achieved by replacing staff with lower paid staff. In Houston, the assumption was that all staff would be replaced with lower paid staff members. In Philadelphia, Quatt assumed that two-thirds of the staff would be replaced. Salaries were estimated using national market salary references for the Executive Director and her immediate staff. Local market salaries were used for all other staff salary benchmarks.

Rent savings are based on average asking rents (vs. NYC) from two public sources (NAI, Colliers) and are based on estimated space needs of 13,500 square feet.

Other than travel costs for arranging the new office, costs for the office set-up (furniture, wiring and cabling, HVAC, etc.) and the physical move were assumed to be comparable to a NYC relocation, and were excluded from the analysis.

Other substantial costs are incurred from severance and overlap of staff to ensure a smooth transition as well as an overlap of rent for a brief period. Severance expenses are based on current policy, and include costs such as unemployment. Staff overlap is required to ensure continued quality customer service during the transition. As a result, an overlap of one to three months was calculated for key employees. Retention incentives were included to ensure availability of key employees through the transition. Search and recruitment costs of 10-20% of annual salary were also included. Double rents for six months were calculated during the re-staffing process.

As a result, the costs for a move to either Philadelphia or Houston overwhelm the savings, as the following figure shows.



*** All Others includes Travel and Double Rents**