

Alachua County Board of County Commissioners
Office of Management and Budget
Cost Benefit Analysis of Leasing and/or Purchasing the 515 Building
June 19, 2015

Lease Assumptions

Discount Rate	1.61%
Janitorial Expenses PSF (per square foot)	\$1.16
Utilities PSF (per square foot)	\$6.52
Janitorial/Utilities Growth Rate (annual)	2.5%

Net Present Value Cost of Lease Option (15 yr)

Current rate **1.61%** **(\$13,451,521)**

Purchase Assumptions

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Assumed Year 1 Operating Expense if Purchased (annual)	\$380,000	\$389,500	\$399,238	\$409,218	\$419,449
Capital Reserves (per square foot)	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Operating Expense Growth Rate (annual)	2.50%	2.50%	2.50%	2.50%	2.50%
Discount Rate	1.61%	1.69%	1.78%	1.86%	1.96%
Purchase Price (per contract page 7)	\$5,679,118	\$5,550,088	\$5,421,058	\$5,392,028	\$5,263,000
LTV	100%	100%	100%	100%	100%
Initial Equity	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Loan Amount	\$5,679,118	\$5,550,088	\$5,421,058	\$5,392,028	\$5,263,000
Interest Rate	2.09%	2.19%	2.30%	2.42%	2.54%
Amortization Period (years)	10	10	10	10	10
Annual Debt Service	\$635,217	\$624,176	\$613,154	\$613,524	\$602,600

Year 1 Purchase

Net Present Value Cost of Purchase Option (15 yr)
 Current rate **1.61%** **(\$11,916,755)**

Year 2 Purchase

Net Present Value Cost of Purchase Option (15 yr)
 Current rate **1.69%** **(\$12,128,540)**

Year 3 Purchase

Net Present Value Cost of Purchase Option (15 yr)
 Current rate **1.78%** **(\$12,338,073)**

Year 4 Purchase

Net Present Value Cost of Purchase Option (15 yr)
 Current rate **1.86%** **(\$12,807,301)**

Year 5 Purchase

Net Present Value Cost of Purchase Option (15 yr)
 Current rate **2.54%** **(\$12,702,692)**

Purchase Cost with Reversion Value Based on Year 1 Purchase

<u>Purchase Assumptions</u>	<u>Year 10</u>	<u>Year 15</u>
Assumed Building Appreciation Rate	2.00%	2.00%
Assumed Building Value	\$6,922,813	\$7,643,345
Sales Costs	3.00%	3.00%
Reversion Value	\$6,715,129	\$7,414,045
PV of Building	\$5,723,871	\$5,834,564
PV of Cost of Purchase	\$9,796,699	\$11,916,755
Less PV of Building Reversion	\$5,723,871	\$5,834,564
Present Value Cost of Purchase (assuming reversion)	\$4,072,828	\$6,082,190
"Break Even" with Lease Cost	4-5 Years	6-7 Years

Lease vs. Purchase Analysis

DRAFT

Total SF **40,000**

Lease Cost

Lease Assumptions	
Discount Rate	1.61%
Janitorial Expenses PSF (per square foot)	\$1.16
Utilities PSF (per square foot)	\$6.52
Janitorial/Utilities Growth Rate (annual)	2.5%

Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Total Estimated Rent including Opex (based on 15yrs)	\$560,000	\$574,000	\$588,400	\$603,200	\$618,000	\$633,600	\$649,600	\$665,600	\$682,400	\$699,200	\$711,689	\$711,200	\$712,321	\$712,648	\$712,986
Janitorial Expenses	\$46,400	\$47,560	\$48,749	\$49,968	\$51,217	\$52,497	\$53,810	\$55,155	\$56,534	\$57,947	\$59,396	\$60,881	\$62,403	\$63,963	\$65,562
Utilities	\$260,800	\$267,320	\$274,003	\$280,853	\$287,874	\$295,071	\$302,448	\$310,009	\$317,759	\$325,703	\$333,846	\$342,192	\$350,747	\$359,516	\$368,504
Total Occupancy Costs	\$867,200	\$888,880	\$911,152	\$934,021	\$957,091	\$981,169	\$1,005,858	\$1,030,764	\$1,056,693	\$1,082,851	\$1,104,931	\$1,114,273	\$1,125,471	\$1,136,127	\$1,147,052
PV of Cash Flows	\$853,459	\$860,935	\$868,523	\$876,215	\$883,631	\$891,507	\$899,459	\$907,126	\$915,210	\$923,005	\$926,903	\$919,929	\$914,451	\$908,482	\$902,685
Net Present Value Cost of Lease Option (15 yr)															
Current rate	1.61%	(\$13,451,521)													

Purchase Cost

Purchase Assumptions	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15
Assumed Year 1 Operating Expense if Purchased (annual)	\$380,000	\$389,500	\$399,238	\$409,218	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves (per square foot)	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
Operating Expense Growth Rate (annual)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Discount Rate	1.61%	1.69%	1.78%	1.86%	1.96%	2.05%	2.16%	2.27%	2.38%	2.50%	2.62%	2.75%	2.89%	3.04%	3.19%
Purchase Price (per contract page 7)	\$5,679,118	\$5,550,088	\$5,421,058	\$5,392,028	\$5,263,000	\$5,190,400	\$5,117,800	\$5,045,200	\$4,972,600	\$4,900,000	\$4,827,400	\$4,754,800	\$4,682,200	\$4,609,600	\$4,537,000
LTV	100.0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Initial Equity	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Amount	\$5,679,118	\$5,550,088	\$5,421,058	\$5,392,028	\$5,263,000	\$5,190,400	\$5,117,800	\$5,045,200	\$4,972,600	\$4,900,000	\$4,827,400	\$4,754,800	\$4,682,200	\$4,609,600	\$4,537,000
Interest Rate	2.09%	2.19%	2.30%	2.42%	2.54%	2.67%	2.80%	2.94%	3.09%	3.24%	3.40%	3.57%	3.75%	3.94%	4.14%
Amortization Period (years)	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Annual Debt Service	\$635,217	\$624,176	\$613,154	\$613,524	\$602,600	\$598,191	\$593,879	\$589,667	\$585,558	\$581,554	\$577,659	\$573,876	\$570,206	\$566,654	\$563,222

Year 1 Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issuance Costs	\$28,163														
Operating Expenses	\$380,000	\$389,500	\$399,238	\$409,218	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves	\$8,000	\$8,200	\$8,405	\$8,615	\$8,831	\$9,051	\$9,278	\$9,509	\$9,747	\$9,991	\$10,241	\$10,497	\$10,759	\$11,028	\$11,304
Debt Service	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217
Total Occupancy Costs (10 yr)	\$1,023,217	\$1,032,917	\$1,042,860	\$1,053,051	\$1,063,497	\$1,074,204	\$1,085,178	\$1,096,427	\$1,107,958	\$1,119,776	\$496,673	\$509,090	\$521,817	\$534,862	\$548,234
PV of Cash Flows	\$1,007,005	\$1,000,444	\$994,069	\$987,879	\$981,870	\$976,041	\$970,389	\$964,913	\$959,611	\$954,480	\$416,648	\$420,298	\$423,979	\$427,693	\$431,439
Net Present Value Cost of Purchase Option (15 yr)		B/E with Year 10 Reversion													
Current rate	1.61%	(\$11,916,755)													

Year 2 Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issuance Costs		\$28,163													
Operating Expenses	\$867,200	\$389,500	\$399,238	\$409,218	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves		\$8,200	\$8,405	\$8,615	\$8,831	\$9,051	\$9,278	\$9,509	\$9,747	\$9,991	\$10,241	\$10,497	\$10,759	\$11,028	\$11,304
Debt Service		\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176	\$624,176
Total Occupancy Costs (10 yr)	\$867,200	\$1,021,876	\$1,031,819	\$1,042,010	\$1,052,456	\$1,063,163	\$1,074,138	\$1,085,387	\$1,096,917	\$1,108,735	\$1,120,849	\$509,090	\$521,817	\$534,862	\$548,234
PV of Cash Flows	\$852,784	\$988,184	\$981,211	\$974,429	\$967,836	\$961,430	\$955,206	\$949,164	\$943,301	\$937,614	\$932,101	\$416,322	\$419,636	\$422,977	\$426,344
Net Present Value Cost of Purchase Option (15 yr)		B/E with Year 10 Reversion													
Current rate	1.69%	(\$12,128,540)													

Year 3 Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issuance Costs			\$28,163												
Operating Expenses	\$867,200	\$888,880	\$399,238	\$409,218	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves			\$8,405	\$8,615	\$8,831	\$9,051	\$9,278	\$9,509	\$9,747	\$9,991	\$10,241	\$10,497	\$10,759	\$11,028	\$11,304
Debt Service	\$0	\$0	\$613,154	\$613,154	\$613,154	\$613,154	\$613,154	\$613,154	\$613,154	\$613,154	\$613,155	\$613,156			
Total Occupancy Costs (10 yr)	\$867,200	\$888,880	\$1,020,796	\$1,030,987	\$1,041,433	\$1,052,140	\$1,063,115	\$1,074,364	\$1,085,894	\$1,097,713	\$1,109,828	\$1,122,245	\$521,817	\$534,862	\$548,234
PV of Cash Flows	\$852,075	\$858,145	\$968,312	\$960,923	\$953,730	\$946,730	\$939,922	\$933,301	\$926,865	\$920,612	\$914,539	\$908,643	\$415,128	\$418,085	\$421,063
Net Present Value Cost of Purchase Option (15 yr)				B/E with Year 10 Reversion											
Current rate	1.78%	(\$12,338,073)													

Year 4 Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issuance Costs				\$28,163											
Operating Expenses	\$867,200	\$888,880	\$911,152	\$409,218	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves				\$8,615	\$8,831	\$9,051	\$9,278	\$9,509	\$9,747	\$9,991	\$10,241	\$10,497	\$10,759	\$11,028	\$11,304
Debt Service	\$0	\$0	\$0	\$613,524	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217	\$635,217
Total Occupancy Costs (10 yr)	\$867,200	\$888,880	\$911,152	\$1,031,358	\$1,063,497	\$1,074,204	\$1,085,178	\$1,096,427	\$1,107,958	\$1,119,776	\$1,131,890	\$1,144,307	\$1,157,034	\$534,862	\$548,234
PV of Cash Flows	\$853,459	\$860,935	\$868,523	\$967,528	\$981,870	\$976,041	\$970,389	\$964,913	\$959,611	\$954,480	\$949,518	\$944,724	\$940,096	\$427,693	\$431,439
Net Present Value Cost of Purchase Option (15 yr)				B/E with Year 10 Reversion											
Current rate	1.86%	(\$12,807,301)													

Year 5 Purchase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Issuance Costs					\$28,163										
Operating Expenses	\$867,200	\$888,880	\$911,152	\$934,021	\$419,449	\$429,935	\$440,683	\$451,701	\$462,993	\$474,568	\$486,432	\$498,593	\$511,058	\$523,834	\$536,930
Capital Reserves					\$8,831	\$9,051	\$9,278	\$9,509	\$9,747	\$9,991	\$10,241	\$10,497	\$10,759	\$11,028	\$11,304
Debt Service					\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600	\$602,600
Total Occupancy Costs (10 yr)	\$867,200	\$888,880	\$911,152	\$934,021	\$1,030,880	\$1,041,587	\$1,052,561	\$1,063,810	\$1,075,340	\$1,087,159	\$1,099,273	\$1,111,690	\$1,124,417	\$1,137,462	\$1,150,834
PV of Cash Flows	\$853,459	\$860,935	\$868,523	\$876,215	\$951,756	\$946,404	\$941,222	\$936,208	\$931,361	\$926,677	\$922,156	\$917,796	\$913,595	\$909,550	\$905,662
Net Present Value Cost of Purchase Option (15 yr)				B/E with Year 10 Reversion											
Current rate	2.54%	(\$12,702,692)													

Purchase Cost with Reversion Value

<u>Purchase Assumptions</u>	<u>Year 10</u>	<u>Year 15</u>
Assumed Building Appreciation Rate	2.0%	2.0%
Assumed Building Value	\$6,922,813	\$7,643,345
Sales Costs	3.0%	3.0%
Reversion Value	\$6,715,129	\$7,414,045
PV of Building	\$5,723,871	\$5,834,564
PV of Cost of Purchase	\$9,796,699	\$11,916,755
Less PV of Building Reversion	\$5,723,871	\$5,834,564
Present Value Cost of Purchase (assuming reversion)	\$4,072,828	\$6,082,190

Initial Term (10 Year)

(rent based on a 10 year term)

Total SF: 40,000

Term	Total Proposed Rent (\$ per Sq. Ft.)	Total Annual Rent
Year.One.	\$14.00	\$560,000
Year.Two.	\$14.35	\$574,000
Year.Three.	\$14.71	\$588,400
Year.Four.	\$15.08	\$603,200
Year.Five.	\$15.45	\$618,000
Year.Six.	\$15.84	\$633,600
Year.Seven.	\$16.24	\$649,600
Year.Eight.	\$16.64	\$665,600
Year.Nine.	\$17.06	\$682,400
Year.Ten.	\$17.48	\$699,200

**Assumes rent includes all opex besides janitorial and utilities*