



THE CITY OF SAN DIEGO

## Report to the City Council

<b>DATE ISSUED</b>	October 13, 2016	<b>REPORT NO.</b>	16-070- Revised
<b>ATTENTION</b>	Honorable Council President and Members of the City Council		
<b>SUBJECT</b>	Lease of the Property and Improvements located at 101 Ash Street, San Diego, CA 92101 (the former Sempra Building – APNs 533-424-11-00 and 533-424-14-00)		
<b>REFERENCE</b>	N/A		

### REQUESTED ACTION

1. Authorize the Mayor or his representative to execute a 20-year lease-to-own agreement (Lease) between the City of San Diego and 101 Ash, LLC, a California municipal corporation (101, LLC), or affiliate, for a lease for the real property and improvements at 101 Ash Street with ownership automatically transferring to the City of San Diego upon lease expiration.
2. Authorize the Chief Financial Officer to appropriate and expend an amount not to exceed \$4,183,448.50 for the remaining Fiscal Year 2017 for the lease-to-own agreement between City and 101 Ash, LLC, for the property and improvements located at 101 Ash Street, San Diego, CA 92101 from the General Fund in order to pay rent (\$2,673,633) and operating expenses (\$1,509,816) at 101 Ash Street from the date of lease commencement (estimated to be January 1, 2017) through June 30, 2017.
3. Authorize the Chief Financial Officer to transfer up to \$1,921,000 from the Real Estate Assets Operating Department Budget to Citywide Program Expenditures Department to provide funding for the property and improvements located at 101 Ash Street.
4. Authorize the Chief Financial Officer to expend an amount not to exceed \$201,902,440 for the 20-year lease-to-own agreement between the City and 101 Ash, LLC, for the properties and improvements located at 101 Ash Street, San Diego, CA 92101, including rent and operating expenses.
5. Authorize the Chief Financial Officer to deposit 101 Ash Street parking rent revenue into the General Fund 100000.
6. Establish a restricted CIP fund for capital improvements relating specifically to 101 Ash Street, San Diego, CA 92101.

### STAFF RECOMMENDATION

Approve the requested actions.

**EXECUTIVE SUMMARY OF ITEM BACKGROUND**

**Background**

The City of San Diego currently occupies approximately 797,500 square feet of office space in five different buildings in the downtown area. Approximately 523,000 square feet is rented and another 273,000 square feet is owned by the City in the City Administration Building (CAB) and the City Operations Building (COB).

The five buildings range in age from 43 years to 53 years old and are occupied by an estimated 2,559 employees (full-time equivalent/FTE).

The following table identifies the size, age and occupancy of the five main buildings.

	OWNED		LEASED			TOTAL
	COB	CAB	CCP*	525 B St	Exec Comp	
<b>Est. FTEs</b>	355.00	426.00	805.00	514.00	459.00	2,559.00
<b>SF Occupied</b>	143,000	130,000	265,986	116,180	141,889	797,055
<b>Year Built</b>	1970	1965	1973	1969	1963	

\* Civic Center Plaza (CCP) is considered a leased building as ownership will not revert to the City until 2036.

A renewed interest in Downtown office space leasing, combined with a corresponding slow response in office building construction/availability in San Diego, has created a shrinking inventory of office space which continues to drive up leasing rates.

David Marino of HughesMarino<sup>1</sup> wrote in July 2016 “that \$5 per foot proposals have been trading at the Diamond View Tower and nearly every other Class A building has seen double digit growth”. He continued in his analysis by adding, “Meanwhile, Class B buildings have slowly been filling, and there are no new buildings under construction. This spells lack of options and very high rents in the future.”

The City’s occupancy at 525 B Street is an example of these increasing rates. The current lease for 116,180 square feet of space is \$1.70 per square foot (PSF) and will expire in 2020. The City recently requested the ability to increase the occupancy by an additional 17,619 square feet to accommodate new staff for the Public Works Department. The new rates quoted by the landlord are proposed to increase approximately 40% from the current rate and will increase another 20% during the new term of the lease.<sup>2</sup> Under the best terms, this proposal would increase the annual lease payment by \$1.2 million by 2021. It is important to note that there are currently no other space options available to move the entire Public Works Department out of 525 B Street.

Therefore, controlling future office space occupancy expenses and resolving ever increasing deferred maintenance has led to the pursuit of long-term solutions for housing City staff. In 2015, the City took the first step in securing long-term control of office space by entering into a 20-year lease-to-own agreement for Civic Center Plaza (CCP) which provides for a fixed lease payment for the next 20 years. Staff estimates that the CCP lease-to-own agreement will save the City in excess of \$24 million vs. market rent over the same period.

<sup>1</sup> HughesMarino is a leading provider of tenant representation throughout California

<sup>2</sup> This new lease agreement is still being negotiated and will require approval by the City Council

With the continued increase in lease rates, the continuing decline in the condition and availability of currently occupied buildings and the increase in FTE counts to support the City's initiatives, the Real Estate Assets Department (READ) researched the availability of office space in the Downtown corridor with two goals

1. Identify an expansion and relocation solution for the Development Services Department (DSD), currently located in the COB<sup>3</sup>. In FY 2016 DSD issued approximately 65,000 construction permits which reflects an increase of 25,000 permits since FY 2013. This permit activity represents more than 100,000 plan reviews and more than 160,000 customer contacts at existing DSD offices. The increased workload and the associated increase in employees and customers has created insufficient capacity at COB. Presently, the downtown DSD operations are spread across 80 counters located in two buildings over six separate floors. Customers and employees, many times with large sets of plans, must often shuttle between multiple floors during the normal course of business.
2. Identify office space to accommodate employees that are currently located in other City occupied buildings.

#### LEASE-TO-OWN

During their due diligence, READ identified an option to relocate DSD into a nearby office building. This solution, however, would have required DSD customers to travel to different floors throughout the building and would not be conducive to the transformation efforts underway. Additionally, the proposed lease rates already reflected increased rates and would not allow the City to control long-term expenses.

While pursuing potential leases, READ staff was made aware of an opportunity to negotiate for ownership of 101 Ash Street.

101 Ash Street is the former headquarters building for Sempra Energy. The building has been primarily vacant since July 2015. It contains 21 stories and 315,545 square feet. READ estimates that it would be able to accommodate approximately 1,100 FTEs. The building is considered Class A (highest tier) office space due to the excellent condition of the interior finishes and the upgraded mechanical systems. The lease-to-own includes all office furnishings and modular office equipment, all of which is in good condition. The building features eight elevators, two more than buildings of this size normally contain, which can aid in the movement of customers and staff more efficiently. There are redundant energy systems and a back-up generator serving the building, preventing any loss of electrical service during black-outs or brown-outs. The building also contains 235 underground parking spaces.

While City staff was considering the viability of occupying 101 Ash Street, Cisterra, a local private developer, was also considering entering into an agreement to purchase 101 Ash Street from the current owners. The 101 Ash Street owners had approached the City in 2015 to gauge interest in either buying the building for \$100 million or entering into a lease-to-own agreement with similar terms. Cisterra was estimating a purchase price of \$72.5 million.

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<sup>3</sup> The City Operations Building has a deferred maintenance repair estimate of \$94 million to bring up to a service level of FCI = 20 (Good)

The City approached Cisterra regarding the potential to enter into a non-binding agreement with Cisterra to either assign the purchase rights for the estimated purchase price of \$72.5 million or sign a lease-to-own agreement with Cisterra. This arrangement was intended to secure rights to the building without entering into a bidding competition. Based on the original purchase and sale agreement signed between Cisterra, LLC and the current owners, it was determined that the feasibility of an assignment for purchase was unavailable. As a result, the City is now able to lease-to-own the building based upon Cisterra's purchase price of \$72.5 million dollars and will, once again, be able to control a greater proportion of office space expenses for the next 20 years and beyond. This action will result in an estimated 20 year savings of \$44 million to the City versus continuing to pay market rental rates.

The terms of the lease-to-own agreement include a beginning rental rate of approximately \$1.70 PSF/month with no annual increases. The City will be responsible for all operating expenses (including utility expenses, building management and maintenance and repair), which are estimated to be \$0.80/sf/mo or \$9.60 PSF/year. At any time after the 5<sup>th</sup> year, the City may opt to transfer the loan for \$1 to a City entity and continue making lease payments to that City entity, rather than to Cisterra. In addition, any time after the 5<sup>th</sup> year, the City may prepay the lease-to-own agreement and have the right and option to purchase the real property and improvements by paying an amount to Cisterra equal to the net present value of the remaining payments due under the lease-to-own agreement, using a discount rate calculated per a formula set forth in the lease-to-own agreement.

The start rate of \$1.70 PSF/month does include an estimated \$5 million in tenant improvements, allowing for renovation of all floors at 101 Ash Street. This will maximize space for the City to accommodate approximately 1,100 employees within the building, per the space standards identified in the City's Administrative Regulation 56 – *Work Space Requests*.

Per Exhibit B, the lease-to-own analysis attached here, this agreement will save the City more than \$44 million over 20 years when compared with continuing to lease EC and completing a lease at 110 Plaza for DSD (which would relocate them from COB).

#### **CONDITION OF 101 ASH STREET**

On March 10, 2016, a Property Condition Report (PCR) for 101 Ash Street was completed by Advantage Environmental Consultants, LLC, which stated that "The Site was observed to be in good condition. Evidence of on-going maintenance was observed." The previous occupant, Sempra Energy, was meticulous in their maintenance and care of the property over their several decades of occupancy. In fact, the PCR estimates that "this Site's estimated remaining useful life (ERUL) should be at least an additional 40 years barring any natural disasters." The PCR summarized that "AEC did not identify any obvious items of deferred routine maintenance that warrant mention" and their only recommendation for immediate repair was an amount of \$10,000 to clean, caulk and pressure wash the exterior of the building.

**WHAT HAPPENS TO THE CITY OPERATIONS BUILDING (COB)?**

Once the CCP project is completed in approximately FY 2022, the City will determine the best use of the property, including relocating Fire Station #1 and potentially redeveloping the site.

**WHAT HAPPENS IF NO ACTION TAKEN?**

The City will continue to be forced to pay market rates for future office rental space. There is no indication that prices will stabilize or decline in the next 5 to 8 years and could, in fact, increase by 50% or more. There is estimated savings of \$44 million over 20 years by occupying 101 Ash Street instead of existing or other market spaces.

City department operations will continue to be located throughout various buildings and City staff will be required to maintain operations in buildings that have documented deficiencies including plumbing and HVAC issues.

Cisterra's purchase price of \$72.5 million is equivalent to \$230 PSF. This is below market value based on recent comparable sales, however, an MAI appraisal performed by D.F. Davis Real Estate Inc, dated September 8, 2016, indicated the appraised value of 101 Ash Street to be \$67.1 million. By contrast, a broker opinion of value ("BOV") prepared by Jones Lang LaSalle, dated September 12, 2016, indicated a value of \$85.7 million.

There are several reasons for the difference in these two valuations:

1. The MAI appraised value of \$67.1 million did not include the existing furniture, fixtures & equipment which, has a value to the City in the \$2.2 million range because it reduces the need for the City to purchase furniture for the employees who will occupy 101 Ash Street. The furniture is excellent in quality and condition.
2. The appraised value per the MAI is a more conservative manner of valuing real estate because it considers purchase and lease deals done in the past, vs. looking to the anticipated future as the broker opinion of value does. As we are all aware, Downtown office lease rates have climbed steadily over the past three years and this is expected to continue into the future because of the lack of new supply in the Downtown market.
3. 101 Ash Street has a greater value to the City than to a third-party purchaser based upon its location proximate to the rest of the City's campus Downtown as indicated on Exhibit A, Site Map, attached here.

**BENEFITS OF APPROVING OF THESE REQUESTED ACTIONS**

1. Provide an estimated savings in occupancy expenses of over \$44 million in a 20-year period and allow the City to control its expenses at a time of record-breaking rent increases for the Downtown market.
2. Allow City operations to be centralized in one building vs. spread out into several buildings, thus providing for less wasted travel time between buildings for employees as well as improved service to the public.
3. Substantially improve working conditions for all affected City employees.
4. Increase accessibility and ease of flow for the public.



**CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S)**

Goal #1 Provide high quality public service

Objective #1 Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Objective #2 Improve external and internal coordination and communication

Objective #3: Ensure equipment and technology are in place so that employees can achieve high quality public service.

Goal #2 Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #3 Invest in infrastructure

**FISCAL CONSIDERATIONS**

The total cost of the 20 year lease-to-own would not exceed \$201,902,440. Lease-to-own of 101 Ash Street vs. continuing to lease from the market will result in savings estimated to exceed \$44 million over the next 20 years in occupancy costs.

Fiscal Year 2017 General Fund costs are estimated to be \$4,183,448.50 for the lease-to-own agreement between City and 101 Ash, LLC. This expense includes rent of \$2,673,633 and operating expenses of \$1,509,816.

**EQUAL OPPORTUNITY CONTRACTING INFORMATION (if applicable)**

This agreement is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708).

This agreement is subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

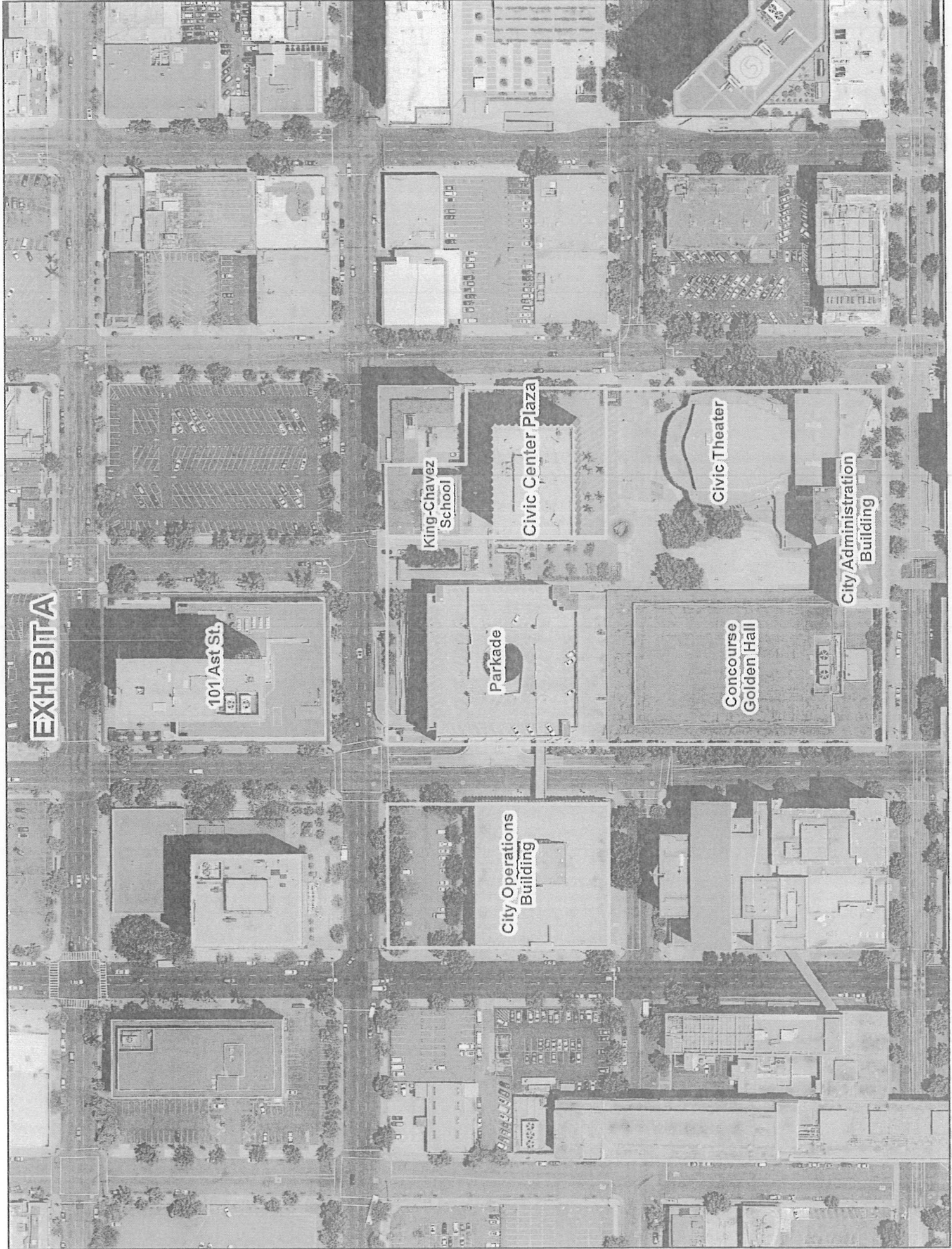
**PREVIOUS COUNCIL and/or COMMITTEE ACTIONS**

This item is requested to be placed on the agenda for the Smart Growth & Land Use Committee meeting on September 21, 2016.

**COMMUNITY PARTICIPATION AND OUTREACH EFFORTS**

AFSCME Local 127, DCAA, Local 145, MEA, POA and Teamsters Local 911 have been notified of this proposed action.





**EXHIBIT A**

101 Ast St.

King-Chavez School

Civic Center Plaza

Civic Theater

City Administration Building

Parkade

Concourse Golden Hall

City Operations Building



EXHIBIT B

The City of San Diego  
 70-Year Comparison of Downtown Lease-to-Own Vs. Leasing from Third Parties  
 January 4, 2017 - June 30, 2037

Last Updated: 9/9/2016

Assumptions:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Market Rent	\$2.50	\$1.58	\$2.66	\$2.73	\$2.81	\$2.90	\$2.99	\$3.07	\$3.17	\$3.26	\$3.36	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89	\$4.01	\$4.13	\$4.26	\$4.38	\$4.53
Market Expenses	\$12.00	\$11.24	\$12.48	\$12.73	\$13.99	\$14.25	\$15.51	\$15.78	\$16.06	\$16.34	\$16.63	\$16.92	\$17.21	\$17.51	\$17.82	\$18.13	\$18.44	\$18.76	\$19.09	\$19.43	\$19.78
Expenses without Prop. Tax	\$9.00	\$8.79	\$9.69	\$9.91	\$10.78	\$11.03	\$12.00	\$12.27	\$12.55	\$12.83	\$13.12	\$13.41	\$13.70	\$14.00	\$14.30	\$14.60	\$14.90	\$15.20	\$15.50	\$15.80	\$16.10
Prop. Tax	\$3.00	\$2.45	\$2.79	\$2.82	\$3.21	\$3.22	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51	\$3.51
Net Growth Rate	3.00%																				
Expense Growth Rate	2.00%																				

20 Year Lease to Own Scenario with Cash	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
101 Ash Street	\$170	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718
Rent (\$1,200/mo NNN)	\$1,200	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718
Expenses	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
EC Rent from 1/1/17-6/30/17	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
EC Expenses from 1/1/17-6/30/17	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Rent from 101 Ash Street	\$1,200	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718
COB Expenses from 101 Ash Street	\$1,200	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718
COB Expenses from 101 Ash Street	\$1,200	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718
Parking (235 spaces)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Occupancy Costs	\$1,000	\$2,673,633	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718	\$6,416,718

70 Year Lease to Own Scenario with Cash	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
101 Plaza	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
Rent	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
Expenses	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
Total Occupancy Costs	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250

Executive Complex	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Rent	\$1,888	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006
Expenses	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888	\$1,888
Total Occupancy Costs	\$1,888	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006	\$2,497,006

110 Plaza	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Rent	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
Expenses	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
Total Occupancy Costs	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250

COMPARISON OF 2 AVAILABLE SCENARIOS - NOTE THAT ALLOCATION TO EACH DEPARTMENT IS ESTIMATED	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
TOTAL OCC. COST TO DEPARTMENT	\$166,000	\$4,138,000	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250	\$4,995,250
OCC. COST TO GENERAL FUND (50%)	\$83,000	\$2,069,000	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625
OCC. COST TO SPECIAL FUND (50%)	\$83,000	\$2,069,000	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625
OCC. COST TO PARKING FUND (50%)	\$83,000	\$2,069,000	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625	\$2,497,625

Note that 110 Plaza rent assumes original LOI agreement of \$2,000/sf with increases of 5.05%/yr PLUS an extra \$,250/sf/mo which 110 Plaza landlord has indicated is the minimum amount they will be willing to rent from the LOI originally signed due to improving market conditions.  
 \*\* Note also that neither 110, nor Executive Complex, provide for any free parking. The value of 235 parking spaces over 20 years is \$12,264.  
 \*\*\* Includes 11 (fund-200305), Facilities Finance (fund-200001), and LRA (fund-200250) which would relocate from Executive Complex to 101 Ash Street. Actual allocations will vary based on amount of space (square) occupied each year.

Advantage to City to lease-to-own v. leasing to third party  
 Over 20 years \$44,415,663