

Anchorage LIO Purchase
Data Points for Decision Making

	<u>Monthly</u>	<u>Total/Annual</u>	<u>Footnote</u>
Building purchase price		<u>28,250,000</u>	1
Estimated occupancy cost before purchase -			
Original budgeted annual lease	281,638	3,379,656	
Original budgeted estimate annual operating costs		<u>645,344</u>	2
Original estimated total occupancy cost	335,417	<u>4,025,000</u>	3
Estimated occupancy cost after purchase -			
Ground and parking facility lease		1,200,000	
Estimated annual operating costs (high estimate)		<u>425,000</u>	4
	135,417	<u>1,625,000</u>	
Estimated annual cost reduction -		<u>(2,400,000)</u>	
Primary cost reduction components			
Third party debt service		(2,100,000)	5
Property tax estimate		<u>(300,000)</u>	6
		<u>(2,400,000)</u>	
Gross dollar cost reductions \$2.4mm 20yr		<u>48,000,000</u>	
Cash on cash return of value in years		<u>11.77</u>	
Present Value of cost reduction = \$2.4mm, 20yr, 5%		<u>29,909,305</u>	
Estimated 'where was, as was' renewal value of old lease	133,000	<u>1,600,000</u>	7

- 1 Equals cost of improvements. Will be audited by AHFC contracted project auditor and landlord's interim construction financing banker
- 2 Approximate operating costs based on appraisal average of ten other Anchorage office buildings including property tax costs.
- 3 Amount included in FY2015 operating budget
- 4 \$425,000 calculated to include \$80,000 cushion if first year costs exceed Anchorage average (\$645,000 - \$300,000 + \$80,000 = \$425,000)
- 5 Per review of landlord's project financing arrangements - confirmed with AHFC market review
- 6 Mid-range estimate by AHFC contracted independent appraiser, consistent with estimates by independent estimate by landlord's interim construction financing banker (\$343,000)
- 7 Estimate of approximate cost it would have been to renew old lease 'where is, as is' without major improvements or upgrades - would have included minimal 'paint and carpet' options. Based on broker opinion of building value, adjusted for actual market value of 100 dedicated 24 hour parking spaces in downtown Anchorage core, and discussions regarding landlord's expectations - doubles amount being paid under expiring lease