



MEMORANDUM

To: Moran Blue Ribbon Committee

From: David G. White

Date: June 10, 2010

Re: Moran Operating Costs

This memorandum describes the estimated costs of operating the Moran Center after it is completed as well as the general understanding reached with the prospective tenants regarding their share of those costs.

The City will manage and operate the property. It is expected that the Parks Department will handle this. The basic costs for operating Moran are expected to include "Common Area Maintenance" (CAM), insurance, common area utilities, some management expense and not much more. Each tenant will be responsible for paying its proportional share of these costs which are often referred to as "Triple Net" or "NNN" charges. The Guide estimated that users within the Moran building would pay \$3.00 per square foot in NNN costs and the Sailing Center's storage facility would pay \$2.00 per square foot. These have since been shown to be unrealistically low.

Last fall CEDO engaged Pomerleau Real Estate's property management division to estimate operating costs. The attached budget is based on their estimates. Overall it appears the NNN costs will be closer to \$6.00 per square foot of leasable space.

The cost estimates prepared by Pomerleau assumed that the City contracted with an outside third party property management firm. However, they offered the opinion that costs might be materially lower if the City hired an on-site staff person. There is enough year-round daily work (cleaning common bathrooms, hallways, stairwells and elevators; periodic repainting of common areas, snow shoveling of walkways, etc.) that this might make sense. This will be explored at a later date. In the meantime, budgets are based on the attached estimates.

Here are the principles as conceptually agreed to by the all parties:

- 1) CAM and other NNN charges will include only costs of maintaining and operating the building and immediate abutting walks and landscaping (approximate areas outlined in red on attached plan). The rest of the site will be treated as a public park and will be a City expense, except to the extent it is used by Moran tenants, as set forth below.
- 2) The City will have full responsibility for the cost of maintaining the public park facilities, including the relocated recreation path, splash park, skate park and other lawn/park areas on the property (except to the extent these grounds are used by tenants, such as the Ice Factor's use of the splash park for skating or the Sailing Center's use of the path between their storage area and launch area).
- 3) City will pay 100% of the costs of maintaining extended Lake Street, with its on-street parking, as well as the enlarged parking lot south of Moran. Parking will be metered and these parking revenues are expected to exceed the cost of maintenance of the street and parking.
- 4) Because NNN costs are to be limited to the Moran building and its immediate area, these costs will be apportioned pro-rata based on occupied space in the Moran building. The Sailing Center's northern storage facility will pay its costs separately (see below) and will not be assessed a portion of the NNN costs of the Moran building because it has little impact on the more tightly limited NNN area.
- 5) Ice Factor will pay 100% of costs associated with its use of the splash park for ice skating – setup, maintenance, operating costs, take down and repair of any damage caused by its use.
- 6) Sailing Center will pay 100% of costs in areas outlined in blue on attached plan:
 - a. Maintenance of their northern storage yard, storage building, and associated fencing.
 - b. Maintenance of their southern storage yards (abutting the Moran building) and fencing.
 - c. Maintenance of the pathway between their northern storage yard and the dock/lift area. (There will be general public use of this path, but the CSC's use will have by far the most maintenance impact).
 - d. Maintenance of dock/lift area(s).
- 7) Stormwater systems:
 - a. The City will pay 100% of cost of maintenance of the stormwater system associated with the enlarged parking area.
 - b. Cost of maintenance of stormwater systems on the Moran property will be prorated among the City, CAM and Sailing Center based on area of impervious surface flowing from the Moran CAM area, vs City areas

- 8) Tenants will pay a monthly NNN fee based on one-twelfth of the estimate of costs for each year. At the end of the year actual costs will be reconciled to the estimate. Tenants will pay any shortfall or in the event of having overpaid, tenants will have a credit against the revised estimated costs for the next year.

- 9) The City will also be a tenant in the Moran building. It will have two community rooms (one on the fourth floor and the other on the sixth floor) as well as a public viewing terrace on the fourth floor. These are not considered to be common areas. The City expects to rent the community rooms for various functions and will be responsible for all income and expenses associated with operating those facilities just as the other tenants are responsible for their own operating income and expenses. The City, as a tenant, is responsible for a prorata share of NNN costs. It is expected that the City's share of such costs will be paid from rents paid by the other tenants.



MORAN CENTER AT WATERFRONT PARK
 SCHEMATIC SITE PLAN



**Moran Center
NNN Costs Estimate DRAFT**

6/10/2010

CAM Item		Estimate	
Outside		\$43,500	See detail sheet
Inside		109,000	See detail sheet
Dumpster		6,000	60% of \$10K est., assume 40% paid by City for parks use
Parking and Driveways		0	City Cost (paid through new parking revenues)
Skate Park & Splash Park, Park Lawn Areas		0	City Cost (public park facilities)
Other NNN Costs			
Insurance		8,000	
Storm water fees annually		677	
Management Fee		17,000	Approx. 10% of other costs
Taxes		0	* See Note 1
Other		0	
Total		\$184,177	

Leaseable SQ FT:		31,107
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Estimated Cost per SQ FT: \$5.92

	SQ FT	Estimated NNN Costs/Yr	
Ice Factor	16,154	\$95,644	
Lake Champlain Community Sailing Center	3,226	19,100	
Lake Champlain Maritime Museum	7,408	43,861	
City	4,319	25,572	City Cost (to be paid from rent receipts)
	<u>31,107</u>	<u>\$184,177</u>	

Note 1: Per Guide -- property taxes will be assessed against all for profit users, and gross receipts and sales taxes will be assessed. These will be paid directly by each tenant as applicable, not through NNN charges.
During the seven year New Market Tax Credit holding period, property taxes will be assessed against the entire property. The portion attributable to non-profit tenants will be paid from rent receipts.

OUTSIDE

CAM Item	Description/Including	Cost
Landscaping	Mowing, trimming, weeding, planting, mulching, fertilizing, cleaning, maintaining, pruning	\$15,000
Snow	* <i>Snow removal</i> , salting, sanding sidewalks, entryways, stairs	\$2,500
Lighting/Electric	~20 10' poles, shelter, pumps, entrance/egress ways, canopies, loading areas, other area lights that secure property, etc.	\$6,000
Window Washing	Building exterior only, 1x per year	\$3,000
Repairs/Maintenance	Including benches, concrete sealing, etc.	\$4,000
Security		\$4,000
Cleaning Grounds/Trash		\$6,000
Graffiti/Vandalism		\$2,000
Signage		\$1,000
	TOTAL	\$43,500

* "*Snow Removal*" does NOT include taking snow off-site.

MORAN PLANT PROJECT

CAM Costs Analysis

10/22/2009

DRAFT

INSIDE

CAM Item	Description/Including	Cost
Cleaning/Janitorial	Floors, hallways, stairways, elevator, lobbies, common window glass, *restrooms <i>** including supplies for bathrooms</i>	\$20,000
Elevators	Maintenance, inspections	\$7,000
Electric	Lights, elevators, mechanical pumps, etc.	\$10,000
HVAC/Gas	<i>***~25 heat pumps, 1 boiler, repairs, maintenance and service</i>	\$19,000
Water/Sewer		\$12,000
Repairs/Maintenance		\$25,000
Painting		\$5,000
Signage	Directories, etc.	\$3,000
Security		\$4,000
Sprinkler/Fire Alarms	Maintenance, inspections	\$4,000
	TOTAL	\$109,000

** Restrooms based on daily cleaning of restroom 7 days a week*

*** Paper supplies could run very high for this fairly public bathroom -*

Recommend air-blowing hand-drying machines.

**** Mechanicals will be more fully identified in DD and will berelated to the tenant plans for fit up.*