Community Development Commission

June 15, 2007

To: Each Supervisor

From: Carlos Jackson, Executive Director

SUBJECT: COMMISSION/HOUSING AUTHORITY HEADQUARTERS BUILDING PURCHASE AND FINANCING OPPORTUNITY

The memorandum of May 10, 2006, informed the Board that the Commission/Housing Authority would explore the opportunity to acquire our existing headquarters building located at 2 Coral Circle, Monterey Park. During the initial project scoping analysis, we learned that the Section 8 Division's facility located at 12131 Telegraph Road, Santa Fe Springs, may also be available for acquisition. The 2 Coral Circle building consists of 85,300 square feet of administrative office space and the Telegraph Road building consists of 42,170 square feet of administrative office space; and have lease expiration dates of March 2010 and June 2012, respectively.

In consultation with the CAO Real Estate Division, Treasurer and Tax Collector and County Counsel, a study was designed to include an analysis of various financing options for acquiring the two existing Commission/Housing Authority headquarters facilities. The Commission/Housing Authority then engaged Fieldman, Rolapp and Associates under the Treasurer and Tax Collector's Master Agreement for Financial Advisor Services to conduct the scope of work. The attached memorandum delineates the consultant's findings for the purchase of our existing headquarters buildings using tax-exempt bond financing.

The consultant's analysis is based on a March 2007 acquisition cost of $28.0 million with 100%, 30-year, tax-exempt bond financing at a 6.10% interest rate. The projected 30-year cost for continued lease of the headquarters buildings is $94.3 million and the projected cost of purchase using bond financing is $66.3 million. The estimated 30-year budgetary savings are $28.1 million, or 29.7% of the projected leasing costs. These results are subject to the negotiated purchase price for the two buildings and bond interest rates.

The Commission/Housing Authority intends to proceed with the headquarters building acquisition negotiations and tax-exempt bond financing analyses. We are working with the Treasurer and Tax Collector and other County departments to utilize their collective expertise in this endeavor; and we expect to bring this matter to the Board for approval by the year end 2007. Should the purchase negotiations fail for either of the two existing headquarters buildings, we will report back to the Board regarding possible alternative courses of action to meet our long term administrative office requirements.

Please feel free to contact me or Bobbette Glover, Assistant Executive Director, at 323.890.7400 for any additional information or clarifications you may require.

Attachment: 1

CJ:MP

c: Each Deputy
CAO, TTC

FIELDMAN | ROLAPP
& ASSOCIATES

MEMORANDUM

TO: CARLOS JACKSON, EXECUTIVE DIRECTOR
COMMUNITY DEVELOPMENT COMMISSION

CC: GLENN BYERS, ASSISTANT TREASURER AND TAX COLLECTOR, COUNTY OF LOS ANGELES

FROM: DANIEL L. WILES, PRINCIPAL AND GENERAL COUNSEL
PAUL PENDER, SENIOR ASSOCIATE

RE: ANALYSIS OF LEASE AND POTENTIAL PURCHASE OF REAL ESTATE

DATE: JUNE 5, 2007

ISSUE

The Community Development Commission of the County of Los Angeles (the "Commission") and the Housing Authority of the County of Los Angeles (the "Authority", and collectively along with the Commission, the "Agency") occupy office space in two buildings: 2 Coral Circle, Monterey Park (85,300 square feet) (the "Monterey Park property") and 12131 Telegraph Road, Santa Fe Springs (42,170 square feet) (the "Santa Fe Springs property" and collectively, the "Properties"). The Commission is the lessee and primary tenant of the Monterey Park facility, while the Authority is the lessee and primary tenant of the Santa Fe Springs property. The existing lease agreements (each, a "Lease Agreement") described below embody the terms between the Commission and the Authority, respectively and the private property owners/lessors. While each Lease Agreement has a multi year term, each also has a fixed expiration date, subject to extension as provided therein. During the horizon of this analysis (30 years), the rent payable under each Lease Agreement can be considered subject to escalation.

The Agency has requested an analysis comparing the costs of continuing the current leasing arrangements with the potential costs of purchasing the properties utilizing some form of tax-exempt borrowing. The Agency has indicated that acquisition of the Properties might be financially advantageous for several reasons, including property tax savings.

We have developed a comprehensive compilation of the costs of continuing the existing lease arrangements. We have undertaken a review of the Agency's financial statements to develop a preliminary outlook as to the creditworthiness of the Agency. Additionally, Agency staff has provided us their understanding that certain Agency revenues available for administrative uses may be applied to make lease-purchase payments related to a borrowing to purchase the buildings.

This memorandum, along with the accompanying spreadsheet analysis, is intended to provide a comprehensive review of the comparative costs, including estimates of the relative costs of both capital and maintenance of the two facilities. This analysis is geared to assisting the lease versus purchase decision and guiding next steps.

CONCLUSION

Our analysis estimates that the gross budgetary savings of a financed-purchase of the properties compared to leasing over 30 years is approximately $28 million. Taking into account the time value of those savings, the Agency realizes a present value benefit estimated to be $7,125,155 by purchasing the Properties with a combined tax exempt financing over continuing the current structure of leasing the Properties. This present value savings represents a 19% reduction from the costs estimated to be incurred if the Agency continues leasing the two properties (the status quo). A primary feature of a purchase of the Properties is the fixed annual cost for servicing the debt issued to acquire the Properties. This compares with the assumed escalation in rent under the Lease Agreements and the subsequent leasing terms after the expiration of those Lease Agreements.[1] Moreover, the absence of property taxes for the Monterey Park property also contributes to the net benefits.[2] Those benefits are partially offset by the direct assumption of costs for maintenance of the exterior/structural/roof components for each building and the need to purchase insurance for the Santa Fe Springs property.[3] Moreover, if the Agency needs to use a lease structure for the financing of the acquisition of the Properties, the Agency may incur some insurance costs for title insurance and business interruption insurance.

Assuming that the Agency has the level of creditworthiness estimated in this memorandum, that the purchase prices for the Properties are consistent with the appraised values and that the application of funds to pay lease installments related to debt service is not prohibited or restricted by the grant funds received by the Agency, there is a significant advantage to the Agency from the purchase of the Properties and the attendant tax-exempt financing.

EXISTING LEASES

The general terms of the Lease Agreements are summarized in Appendix A attached hereto. The Lease Agreement for the Monterey Park property provides for monthly rent of $97,143 through the term ending on March 26, 2010. That Lease Agreement provides for a single five (5) year option to renew the rent amount at then fair market value. The Commission assumes the costs of utilities, property taxes, building insurance and operations and general internal maintenance.

---

[1] The Lease Agreement for the Santa Fe Springs property provides for annual escalation by the CPI during its initial five (5) year term and to 95% of the fair market value during each of the two five (5) year options. The Lease Agreement for the Monterey Park property provides for fixed rent during its term.

[2] In addition, we assume benefit accrues to the Agency with regard to the absence of property taxes on the Santa Fe Springs property as well.

[3] For this analysis, we have assumed that the Agency will purchase insurance and provide limited self-insurance on a basis independent of the County.

The Lease Agreement for the Santa Fe Springs property provides for monthly rent of $60,673.50. through the lease year ending June 3, 2012. The rent amount increases annually by the Consumer Price Index ("CPI"). The Lease Agreement has two five (5) year extension options. For each option, the rent will be reset to an amount equal to 95% of the fair market rental value of the property. (For purposes of our analysis, we have assumed that this increase will be equal to the CPI for the 30 year horizon of the analysis.)

The lessors of the Properties, as private entities, are subject to the levy of real property taxes. In the Lease Agreement for the Monterey Park property, the property tax payment is a direct cost to the Commission, while in the Lease Agreement for the Santa Fe Springs property, property taxes are not directly passed through. The Commission and the Authority, as governmental units and component units of Los Angeles County, would not be liable for property taxes on owned real property.

ASSUMPTIONS

Our quantitative analysis is based on a number of assumptions as to maintenance and property insurance costs. Estimates on property maintenance and insurance costs are based upon current cost data provided by Commission staff. As noted above, we have estimated the increase in the CPI over the long run to be 3.25%. This figure is consistent with the assumption for long term inflation used by CalPERS for its actuarial estimates.

The Agency obtained preliminary appraisals on each of the Properties, as of April, 2007, which indicated a value of $17,700,000 for the Monterey Park property and $9,300,000 for the Santa Fe Springs property. Given that additional building upgrades may be required, Commission staff has directed us to assume a total purchase price of $28,000,000 for the properties. The proposed financing is structured to provide the total purchase price, fund a standard sized reserve fund and pay the costs of the transaction, including the costs of professional fees, underwriting, and various insurance policies.

The proposed financing is assumed to have a term of 30 years.[4] We have conservatively estimated the nominal rate on the financing to be 6.10%, assuming a relatively low credit level and a significant upward movement in rates from current market rates. The structure is assumed to be a lease

[4] The use a 30 year amortization implies (but does not necessarily require) that the Agency will attempt to structure the financing as long term bonds. A 30-year amortization tends to be longer than is acceptable in the private placement market, particularly with commercial banks. This length of amortization will need to be supported by the expected remaining useful lives of the properties.

obligation, creating an obligation of the Commission and the Authority, payable from its generally available funds.[5] We have assumed a single financing of both Properties.

We have undertaken a review of the Agency's most recent financial statements and questioned the financial staff of the Commission regarding the flexibility of funding and revenues received by the Commission and the Authority as well as existing fund balances of the Commission and the Authority. Based on that review, we believe that the Commission and/or the Authority can access tax-exempt financing on reasonable commercial terms in the capital markets. For purposes of this analysis, we have made a conservative assumption as to the interest rate that would attach to the financing.[6]

One of the specific goals of this analysis is to identify the present value of the benefit to the Agency from the more advantageous alternative. Since the gain comes in future years, primarily through avoidance of estimated rent escalation, the discount factor is crucial to the magnitude of the estimate. We believe that the estimated all-inclusive cost of capital is a satisfactory proxy for the discount rate. As such, present value calculations have been made with a discount rate equal to the rate on the financing: 6.60%.

THE ANALYSIS

Estimating Costs of Leasing. The cost analysis is attached as Appendix C to this memorandum. Our overall methodology has been to estimate and accumulate the annual costs of leasing the Properties, including the additional costs for taxes, to determine the total projected leasing costs. We determined rents and expected rent escalation from the actual Lease Agreements and applied the escalation as provided in the respective Lease Agreement. For future periods in which there would be a renegotiated lease, we have assumed that rent escalates at the estimated CPI factor. For the costs of maintenance and operations we have relied on figures provided by the Commission's staff. In addition, we have assumed that costs of maintenance and operations would inflate by the CPI. Property tax liabilities for the Monterey Park property were assumed to increase by 2% per year, consistent with general rates of property tax increase under Proposition 13 and its progeny.

---

[5] In our informal discussions with bond counsel for the County, we understand that both the Commission or the Authority could execute a lease based financing for the acquisition of the Properties under current state law. A more comprehensive review by bond counsel, such as would occur if the Agency determines to implement a financing, may determine that the Commission and/or the Authority may borrow funds through a direct bond issue without using a capital lease structure.

[6] Agency staff has indicated that the majority of Agency revenues that allow for a certain percentage of that revenue to be spend on administration (e.g. 10-15%) do not restrict the definition of "administration" to exclude financed lease-purchase agreements.

Estimating Costs of Purchase. With regard to the purchase of the properties, we have assumed that the acquisition cost total a maximum of $28,000,000. We understand that the actual purchase price is subject to further discussion, negotiation, and refinement by the Agency.

The Agency's Borrowing Capacity. As noted above, we discussed the Agency's most recent financial statements and nature of its revenues with the Agency's financial staff. The focus of our questioning was to determine the level of flexibility of applying: (i) existing fund balances to administrative costs, and (ii) revenues received by the Commission and the Authority under the various grants and programs to administrative costs. As a general rule, the Commission and the Authority can expend at least 10% of the funds received under the various grants to administrative costs, like the cost of facilities. For example, the Authority received $14 million per year to administer the Section 8 program and the cost of the Santa Fe Springs property is allocable internally to that program. If only 10% of grant receipts are available to administrate costs, the Agency has available $1.4 million that could be applied to administrative costs, inclusive of any possible borrowing costs.[7]

We have made specific inquiry of the Commission's financial staff of the availability of grant funds to pay debt service for any debt resulting from acquisition of the Properties. The purpose of that inquiry was to uncover any limitation of the expenditure of grant funds received by the Commission or the Authority for debt service.[8]

We believe that the ultimate source of repayment for any financing of the purchase of the Properties will be an obligation payable by the Commission and the Authority from any available revenues. We have not expected that specific or designated revenues would be pledged to repay any debt. We have specifically inquired as to limitations on the use of funds to pay debt service.

Based on our limited review for this Phase 1, we believe that the Commission and the Authority have ample revenues available to pay debt service. There are two foundations of our belief. First, the debt service is a substitute for costs already being born by the Commission and the Authority. Moreover, since debt service is estimated to be approximately $2 million per year, the revenues and balances are sufficient to provide comfort to bondholders.[9]

---

[7] We understand that the CDBG program may have some limitations on the use of funds to purchase facilities. This item is the subject of continuing discussion and research.

[8] Notwithstanding this inquiry, it is beyond the scope of this analysis to ascertain for certain all the legal restrictions connected to the Agency's program revenues.

[9] Our analysis as to the creditworthiness of the Agency for this Phase 1 analysis is limited to an overall determination that if a financing is the most desirable alternative, the credit of the Agency supports a financing. We have not determined the level of creditworthiness or the likely rating that would attach to such a financing.

Cash Flow Review. Appendix C contains a year by year comparison of the costs of leasing v. purchasing the Properties. For the initial year of financing, the Agency realizes significant cost savings through the elimination of the capital cost for the year, since debt service begins in 2008. The first three years of debt service result in a net cost to the Agency under the purchase scenario. In year four (2011), the benefit moves sharply to the purchase scenario as the effect of the assumed rent escalation is manifest. Full year annual nominal savings grow from $56,492 in 2011 ($43,700 PV) to a maximum of $2.7 million in 2037 ($427,800 PV). It is important to note that since the debt service is fixed during the 30 year term, the Agency is effectively insulated from the potential adverse consequences of real property value inflation during the term. In fact, if the Properties inflate in value, the Agency receives a tangible, but unrealized benefit.

Next Steps. If the Commission and the Authority determine to take action, the following represent the next steps in the process:

1. Determine how Commission and Authority will allocate or pay costs of capital.
2. Determine whether existing Properties should be purchased, new construction should be done or other existing facilities should be acquired.
3. Negotiate the terms of acquisition, construction, etc.
4. Assemble financing team:
    a. Bond Counsel
    b. Disclosure Counsel
    c. Underwriter (lender)
    d. Printer (if needed)
    e. Rating Agency (if sought)
5. Develop more specific financing and rating plan
6. Develop timetable
7. Implement Financing

Appendix A: Current Lease Summaries

	2 Coral Circle, Monterey Park, CA	12131 Telegraph Road, Santa Fe Springs, CA
Details	85,300 sf office, 323 parking spaces	42,170 sf office, 202 parking spaces
Appraised as of April, 2007	**$17,700,000**	**$9,300,000**
Lessor	Miller Brothers Coral, LLC	Geary-Telegraph Investment
Rent	$97,143 / month	$60,673.5 / mo (as of 9/2006)
Term Ends	3/26/2010	6/3/2012
Lease Escalation	flat rate	Annually, at CPI
Options	One 5 Year Option (at then FMV rental rate)	Two 5-year optios, 95% of fair market value
Other Expenses(1)		
Utilities	Net / Net / Net	Net / Net / Net
Property Taxes	Net / Net / Net	Modified Gross (pay taxes > CPI)
Common Area Maintenance	Net / Net / Net	$1,600 / mo
Management Fee	Net / Net / Net	$48 / mo
Roof, Foundation Structural	Net / Net / Net	Net / Net / Net
Building Insurance	Net / Net / Net	Lessor
Operations & Maintenance	Net / Net / Net	Leasee

Notes:

1. Per information provided by CDC staff & discussion of lease terms and practical application thereof by CDC staff.

Appendix B: Lease Payment Assumptions

Lease Payment Assumptions (Status Quo)	Monthly Cost	Annualized
2 Coral Circle Monthly Lease	$ 97,143.00	$ 1,165,716.00
2 Coral Circle Monthly Taxes	$ 7,951.21	$ 95,414.48
12131 Telegraph Monthly Lease	$ 60,673.50	$ 728,082.00
12131 Telegraph Monthly CAM	$ 1,600.00	$ 19,200.00
12131 Telegraph Monthly Fee	$ 48.00	$ 576.00
Lease Escalator	3.25%	
2 Coral Property Taxes Escalator	2.00%	
Management Fee Escalator	3.25%	
12131 CAM Escalator	3.25%	

Incremental Building Cost Assumptions	(Consisting only of current Lessor Obligations)	
	Monthly Cost	Annualized
2 Coral Circle - Exterior/structural / Roof	$ 301	$ 3,614.68
12131 - Exterior/structural / Roof	$ 149	$ 1,787.00
12131 - Property insurance	$ 846	$ 10,152.00
12131 - Liability insurance	$ 215	$ 2,576.00
Incremental Costs Escalator	3.25%	

All-Inclusive Building Cost Information	(Consisting of both current Lessor & Leasee Obligtaions)		
	Monthly Cost	Obligated Party	Annualized
2 Coral Circle - parking lot	$ 242.25	Leasee	$ 2,907.00
2 Coral Circle - Management fee	$ 2,914.00	Leasee	$ 34,968.00
2 Coral Circle - Landscaping	$ 1,093.33	Leasee	$ 13,120.00
2 Coral Circle - Maintenance / Repairs	$ 5,782.13	Leasee	$ 69,385.59
2 Coral Circle - Micsellaneous	$ 375.33	Leasee	$ 4,504.00
2 Coral Circle - Trash & Water	$ 1,939.48	Leasee	$ 23,273.74
2 Coral Circle - Property insurance	$ 6,145.00	Leasee	$ 73,740.00
2 Coral Circle - Liability insurance	$ 133.17	Leasee	$ 1,598.00
2 Coral Circle - Exterior/structural / Roof	$ 301.22	Lessor	$ 3,614.68
12131 - Maintenance / Repairs	$ 403.75	Leasee	$ 4,845.00
12131 - Landscaping	$ 1,510.58	Leasee	$ 18,127.00
12131 - A/C	$ 1,009.00	Leasee	$ 12,108.00
12131 - Micsellaneous	$ 1,119.92	Leasee	$ 13,439.00
12131 - Exterior/structural / Roof	$ 148.92	Lessor	$ 1,787.00
12131 - Property insurance	$ 846.00	Lessor	$ 10,152.00
12131 - Liability insurance	$ 214.67	Lessor	$ 2,576.00
12131 - Property Taxes	$ 9,616.42	Lessor	$ 115,397.00

Appendix B: Financed Purchase Assumptions

Financed Purchase Assumptions	
Financing Assumptions	
Bond Par Amount	**$ 28,505,000**
Bond Net Proceeds (1)	**$ 30,268,000**
Monthly Bond Debt Service	**$ 188,916.67**
Average Annual Bond Debt Service	**$2,267,000.00**
Bond All-Inclusive Interest Cost (2)	**6.60%**
Debt Service Reserve Fund (3)	**$ 2,268,000**
Reserve Fund Assumed Interest Rate	**4.00%**
Annual Reserve Fund Earnings (4)	**$ 90,720**
Bond Date of Issuance:	7/1/2007
Annual Bond Payment Dates	7/1 & 1/1

Bond Sources of Funds:	
Par Amount	**$ 32,085,000**
Bond Uses of Funds:	
Proceeds for Building Purchases	**$ 28,000,000**
Debt Service Reserve Fund	**$ 2,268,000**
Costs of Issuance (5)	**$ 400,000**
Underwriter's Discount (1% of par amount)	**$ 320,850**
Bond Insurance (120 bps) (6)	**$ 815,341**
Title Insurance (Leasehold - 0.10% par)	**$ 32,085**
CLTA Title Insurance (1% Building Cost)	**$ 248,000**
Additional Proceeds (Rounding amount)	**$ 724**
	$ 32,085,000

Notes:

1. Amount to acquire 2 buildings, net of all issuance and property acquisition costs, and including debt service reserve fund.
2. Rate which discounts the future bond payments to equal the net bond proceeds ($30.27 million).
3. Per IRS regulations, an issuer may borrow a bond reserve fund, held by the Trustee.
4. Earnings are restricted; may only be used to pay annual debt service.
5. Includes all consultant fees, legal fees, escrow closing fees, etc.
6. Amount is equal to 1.2% of total bond debt service.

Appendix C: Benefit-Cost Analysis

	Fiscal Years	1	2	3	4	5	6	7	8	9
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Lease Analysis / Status Quo	(Costs that would be eliminated if buildings are purchased)									
2 Coral Circle - Rent (2)	$ 1,165,716.00	$1,165,716.00	$1,165,716.00	$ 1,165,716.00	$1,324,808.17	$1,324,808.17	$1,324,808.17	$1,324,808.17	$1,324,808.17	$1,554,545.01
2 Coral Circle - Taxes (4)	95,414.48	97,322.77	99,269.22	101,254.61	103,279.70	105,345.30	107,452.20	109,601.25	111,793.27	114,029.14
12131 Telegraph - Rent (1)(3)	728,082.00	751,744.67	776,176.37	801,402.10	827,447.67	854,339.72	882,105.76	910,774.19	940,374.36	970,936.52
12131 Telegraph - Taxes (4)	-	-	-	-	-	-	-	-	-	-
Total Projected Leasing Costs (5)	$ 1,989,212.48	$2,014,783.43	$2,041,161.59	$ 2,068,372.71	$2,255,535.54	$2,284,493.18	$2,314,366.13	$2,345,183.61	$2,376,975.80	$2,639,510.67
Property Financed Purchase Analysis	(Incremental Financing & Ownership costs over Status Quo)									
Bond Debt Service	$ 2,267,000.00	$2,267,000.00	$2,267,000.00	$ 2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00
Bond Reserve Fund Interest Earnings (8)	$ (90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)
Rental Interruption Insurance (6)	$ 1,900.00	1,961.75	2,025.51	2,091.34	2,159.30	2,229.48	2,301.94	2,376.75	2,454.00	2,533.75
Misc. Incremental Ownership Costs (7)	$ 18,129.68	18,718.90	19,327.26	19,955.40	20,603.95	21,273.57	21,964.97	22,678.83	23,415.89	24,176.91
Total Property Financed Purchase Costs (9)	$ 2,196,309.68	$2,196,960.65	$2,197,632.77	$ 2,198,326.73	$2,199,043.25	$2,199,783.06	$2,200,546.91	$2,201,335.58	$2,202,149.89	$2,202,990.66
Nominal Expected Cost Savings (Losses)	$ (207,097.20)	$ (182,177.21)	$ (156,471.18)	$ (129,954.02)	$ 56,492.29	$ 84,710.13	$ 113,819.23	$ 143,848.03	$ 174,825.91	$ 436,520.01
PV of Expected Cost Savings (Losses) (10)	$ (207,097.20)	$ (170,897.95)	$ (137,695.56)	$ (107,279.84)	$ 43,748.22	$ 61,538.84	$ 77,566.18	$ 91,960.96	$ 104,845.11	$ 245,577.92

Total Costs of Status Quo / Leasing	$ 94,334,826
Total Costs of Financed Purchase	$ 66,280,867
Total Gross Budgetary Savings	$ 28,053,960

Total PV Expected Leasing Costs	$ 37,501,500
Total PV Expected Financed Costs	$ 30,376,345

NPV of Cost Savings (Losses)	Own v. Lease Benefit Ratio	Savings %
$7,125,155	1.23	19%

Notes:

1. Common Area Maintenance for 12131 Telegraph not included. Assumed to be the same (net out) for either lease or purchase scenario.
2. 2 Coral Circle Lease is renegotiated in future in 5 year (after current expiration in 2010) fixed leases at then fair market rates.
3. 12131 Telegraph lease escalates at 3.25% annually.
4. 2 Coral Taxes escalate at 2% annually. 12131 Telegraph taxes paid by Lessor. Included for comparative / consistency with 2 Coral purposes.
5. These costs consist only of the costs that would be averted in the event the buildings are purchased.
6. Required in a lease-purchased financing. Per CDC risk management estimate of annual insurance cost.
7. Incremental ownership costs include: exterior/structural/roof costs for both properties; property & liability insurance costs for 12131 Telegraph.
8. Bond reserve fund of $2.012 million assumed to earn 4% per year; may be applied only to debt service.
9. Assumes no residual or terminal value of the 2 properties after year 30.
10. Discounted at 6.60%, the all-inclusive borrowing cost.

Prepared by Fieldman, Rolapp & Associates

Appendix C: Benefit-Cost Analysis

	10	11	12	13	14	15	16	17	18	19
	2017-2018	**2018-2019**	**2019-2020**	**2020-2021**	**2021-2022**	**2022-2023**	**2023-2024**	**2024-2025**	**2025-2026**	**2026-2027**
Lease Analysis / Status Quo										
2 Coral Circle - Rent (2)	$1,554,545.01	$1,554,545.01	$1,554,545.01	$1,554,545.01	$1,824,120.83	$1,824,120.83	$1,824,120.83	$1,824,120.83	$1,824,120.83	$2,140,444.17
2 Coral Circle - Taxes (4)	116,309.72	118,635.91	121,008.63	123,428.80	125,897.38	128,415.33	130,983.63	133,603.31	136,275.37	139,000.88
12131 Telegraph - Rent (1)(3)	1,002,491.96	1,035,072.95	1,068,712.82	1,103,445.98	1,139,307.98	1,176,335.49	1,214,566.39	1,254,039.80	1,294,796.09	1,336,876.97
12131 Telegraph - Taxes (4)	-	-	-	-	-	-	-	-	-	-
Total Projected Leasing Costs (5)	**$2,673,346.68**	**$2,708,253.87**	**$2,744,266.46**	**$2,781,419.80**	**$3,089,326.19**	**$3,128,871.64**	**$3,169,670.85**	**$3,211,763.93**	**$3,255,192.29**	**$3,616,322.01**
Property Financed Purchase Analysis										
Bond Debt Service	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00
Bond Reserve Fund Interest Earnings (8)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)
Rental Interruption Insurance (6)	2,616.10	2,701.12	2,788.91	2,879.55	2,973.13	3,069.76	3,169.53	3,272.54	3,378.89	3,488.71
Misc. Incremental Ownership Costs (7)	24,962.65	25,773.94	26,611.59	27,476.47	28,369.46	29,291.46	30,243.44	31,226.35	32,241.20	33,289.04
Total Property Financed Purchase Costs (9)	**$2,203,858.75**	**$2,204,755.06**	**$2,205,680.50**	**$2,206,636.02**	**$2,207,622.59**	**$2,208,641.22**	**$2,209,692.96**	**$2,210,778.89**	**$2,211,900.10**	**$2,213,057.75**
Nominal Expected Cost Savings (Losses)	**$ 469,487.93**	**$ 503,498.80**	**$ 538,585.95**	**$ 574,783.78**	**$ 881,703.60**	**$ 920,230.42**	**$ 959,977.89**	**$1,000,985.05**	**$1,043,292.19**	**$1,403,264.26**
PV of Expected Cost Savings (Losses) (10)	**$ 247,772.09**	**$ 249,269.53**	**$ 250,131.60**	**$ 250,415.29**	**$ 360,347.69**	**$ 352,808.07**	**$ 345,259.75**	**$ 337,718.70**	**$ 330,199.40**	**$ 416,631.95**

Prepared by Fieldman, Rolapp & Associates

Appendix C: Benefit-Cost Analysis

	20	21	22	23	24	25	26	27	28	29
	2027-2028	**2028-2029**	**2029-2030**	**2030-2031**	**2031-2032**	**2032-2033**	**2033-2034**	**2034-2035**	**2035-2036**	**2036-2037**
Lease Analysis / Status Quo										
2 Coral Circle - Rent (2)	$2,140,444.17	$2,140,444.17	$2,140,444.17	$2,140,444.17	$2,511,621.58	$2,511,621.58	$2,511,621.58	$2,511,621.58	$2,511,621.58	$2,947,165.38
2 Coral Circle - Taxes (4)	141,780.90	144,616.52	147,508.85	150,459.02	153,468.20	156,537.57	159,668.32	162,861.69	166,118.92	169,441.30
12131 Telegraph - Rent (1)(3)	1,380,325.47	1,425,186.05	1,471,504.59	1,519,328.49	1,568,706.67	1,619,689.63	1,672,329.55	1,726,680.26	1,782,797.37	1,840,738.28
12131 Telegraph - Taxes (4)	-	-	-	-	-	-	-	-	-	-
Total Projected Leasing Costs (5)	**$3,662,550.53**	**$3,710,246.73**	**$3,759,457.60**	**$3,810,231.68**	**$4,233,796.45**	**$4,287,848.78**	**$4,343,619.44**	**$4,401,163.52**	**$4,460,537.86**	**$4,957,344.96**
Property Financed Purchase Analysis										
Bond Debt Service	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00	$2,267,000.00
Bond Reserve Fund Interest Earnings (8)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)	(90,720.00)
Rental Interruption Insurance (6)	3,602.09	3,719.16	3,840.03	3,964.83	4,093.69	4,226.74	4,364.10	4,505.94	4,652.38	4,803.58
Misc. Incremental Ownership Costs (7)	34,370.94	35,487.99	36,641.35	37,832.20	39,061.74	40,331.25	41,642.01	42,995.38	44,392.73	45,835.49
Total Property Financed Purchase Costs (9)	**$2,214,253.03**	**$2,215,487.15**	**$2,216,761.38**	**$2,218,077.03**	**$2,219,435.43**	**$2,220,837.98**	**$2,222,286.12**	**$2,223,781.32**	**$2,225,325.11**	**$2,226,919.08**
Nominal Expected Cost Savings (Losses)	**$1,448,297.50**	**$1,494,759.57**	**$1,542,696.22**	**$1,592,154.65**	**$2,014,361.01**	**$2,067,010.79**	**$2,121,333.32**	**$2,177,382.20**	**$2,235,212.75**	**$2,730,425.88**
PV of Expected Cost Savings (Losses) (10)	**$ 403,379.37**	**$ 390,544.07**	**$ 378,113.26**	**$ 366,074.55**	**$ 434,474.60**	**$ 418,227.54**	**$ 402,644.33**	**$ 387,694.95**	**$ 373,350.84**	**$ 427,830.22**

Appendix D: Detail of Projected Financed-Purchase Bond / Loan Debt Service

Fiscal Period Ending	Principal Due	Interest Rate	Interest Due	Total Debt Service
6/30/2008	$ 1,295,000	6.00%	$ 962,550	$ 2,257,550
6/30/2009	420,000	6.00%	1,847,400	2,267,400
6/30/2010	445,000	6.00%	1,822,200	2,267,200
6/30/2011	470,000	6.00%	1,795,500	2,265,500
6/30/2012	500,000	6.00%	1,767,300	2,267,300
6/30/2013	530,000	6.00%	1,737,300	2,267,300
6/30/2014	560,000	6.00%	1,705,500	2,265,500
6/30/2015	595,000	6.00%	1,671,900	2,266,900
6/30/2016	630,000	6.00%	1,636,200	2,266,200
6/30/2017	665,000	6.00%	1,598,400	2,263,400
6/30/2018	705,000	6.00%	1,558,500	2,263,500
6/30/2019	750,000	6.00%	1,516,200	2,266,200
6/30/2020	795,000	6.00%	1,471,200	2,266,200
6/30/2021	840,000	6.00%	1,423,500	2,263,500
6/30/2022	890,000	6.00%	1,373,100	2,263,100
6/30/2023	945,000	6.00%	1,319,700	2,264,700
6/30/2024	1,005,000	6.00%	1,263,000	2,268,000
6/30/2025	1,060,000	6.00%	1,202,700	2,262,700
6/30/2026	1,125,000	6.00%	1,139,100	2,264,100
6/30/2027	1,195,000	6.00%	1,071,600	2,266,600
6/30/2028	1,265,000	6.00%	999,900	2,264,900
6/30/2029	1,340,000	6.00%	924,000	2,264,000
6/30/2030	1,420,000	6.00%	843,600	2,263,600
6/30/2031	1,505,000	6.00%	758,400	2,263,400
6/30/2032	1,595,000	6.00%	668,100	2,263,100
6/30/2033	1,695,000	6.00%	572,400	2,267,400
6/30/2034	1,795,000	6.00%	470,700	2,265,700
6/30/2035	1,900,000	6.00%	363,000	2,263,000
6/30/2036	2,015,000	6.00%	249,000	2,264,000
6/30/2037	2,135,000	6.00%	128,100	2,263,100
TOTALS	**$ 32,085,000**		**$ 35,860,050**	**$ 67,945,050**

Average Annual Debt Service	$ 2,264,835