

Joel Foreman

From: Chris Candler <chris@candlerappraisal.com>
Sent: Tuesday, April 12, 2016 2:30 PM
To: ben_scott@columbiacountyfla.com; 'Joel F. Foreman'
Cc: Jeremy Gable; Jonny Frazier
Subject: Montgomery Building

Gentlemen,

Over the past several days, I have been preparing some figures for you as support for the lease that will be presented to the County Commissioners next week. After compiling these, I wanted to give you an opportunity to look them over and then I wanted to clarify some of the terms under which the lease will be structured.

My first task was to review the Statement of Probable Cost presented by Craig Salley and Associates in May 2012 with regard to the renovation of the Montgomery Building. Please understand that our renovations will differ from that proposed for County occupancy and the Statement of Probable Cost is used as a benchmark for our future endeavors. The total probable cost presented in this document was \$1,582,261.71, including an allocation of \$135,000 for select demolition and asbestos abatement. Further, the proposal included a \$250,000 allocation for an addition to house an elevator. It has been my understanding through our conversations and well as through my review of the document that this probable cost is likely inflated and could be adjusted downward. After reviewing the document, I have concluded at a revised probable cost for the renovation/retrofit, based on the scope of the project considered by Craig Salley and Associates, of \$700,000. This includes the full allocation for asbestos abatement but, significantly reduces the proposed cost for the elevator addition and HVAC, Electrical, and Plumbing. Further, it is our intention that, of these renovations, the full amount of the asbestos abatement, site work, and exterior renovations will be completed in year one of the lease, as well as at least partial renovation of the interior of Basement Level of the structure. The remaining renovations (Main Level) will be commenced prior to the expiration of the lease.

My second task was to consider the value of the building both in its "as-renovated" and "as-is" scenarios. The numbers I have generated are rough and are based on previous work I have conducted on similar properties in the neighborhood and should not be construed as a certified appraisal, however, they do indicate a reasonable and fairly supportable range. For the "as-renovated" scenario, I applied a price per square foot of \$63.00, which was determined through the analysis of seven sales of similar properties, and a rental rate of \$8.75, which was derived through consideration of nine similar current and listed leases. Given these two indications, the value of the subject property in its "as renovated" condition could reasonably be expected to be between \$580,000 and \$610,000. Under this scenario, the renovation cost proposed by Craig Salley is not feasible and results in a net building value of \$0. I believe that this conclusion is further supported by the County's decision to not pursue the renovation in 2012.

The second analysis was to determine likely unit prices and rental rates for the subject property in its current condition. As we discussed last Thursday, the most feasible current use of the property in its current condition is for storage. This is further supported by the current use of the building for storage of county records, etc. Under this use, and based on the consideration of five sales and four leases of similar older buildings currently utilized for lower intensity uses, a price per square foot of \$20.00 and a rental rate of \$2.75 are determined, yielding a range of "as-is" indications of between \$183,000 and \$191,000. Though not considered in the previously described analysis, the recent sale of the Power's Service Building (a 10,086 square foot historic building constructed in 1947 which was in an inferior condition when compared to the subject) for \$125,000 provides further support for this range.

As the original purpose of this analysis was to support the feasibility of the lease in question, the conclusions that may be drawn are that the County will, in essence, provide a building worth between \$0 and \$190,000 under a low cost lease to the Halpatter Brewing Company. In the event the building reverts at the termination of the lease, the County will be

in possession of a structure worth *up to* \$600,000, or over three times its original value. I believe that this factor alone justifies any risk associated with the low cost lease.

I would therefore like to clarify the terms of the lease. Through our discussion, it was my understanding that the first five years of the lease would be structured on a “low-cost” basis, or approximately \$1.00 per year, in exchange for the economic impact the micro-brewery would have on the city/county. This would be tied to our renovation of the exterior of the building and the abatement of the asbestos but *would not* be considered as a direct reimbursement of tenant improvements. Also, a performance clause would be included in the lease to the effect that work on the renovation of the Main Level of the building would commence prior to the expiration of the first five year term. Upon meeting these conditions, Halpatter Brewing would be “guaranteed” a five year renewal and the option to purchase the building. The renewal of the lease would be based on a lease rate equal to 75% of the prevailing rental rate for a similar building and the purchase price would be the “pre-renovation” value of the building. The purchase price being that of the “pre-renovation” value inherently considers our initial investment in renovation cost. The point of clarification comes in that I believe the rental rate should also be tied to “pre-renovation” condition (or \$2.75 per square foot as opposed to \$8.75). If post renovation rental rates were dictated by the lease, our expenditures to date would not be considered and we would, in effect, be paying for the renovation twice: once during the renovation and again by leasing a building at rates that are subject to that renovation.

I sincerely appreciate your consideration and your assistance and please don’t hesitate to call to clarify or further discuss. Also, I will be forwarding Market Analysis and Market Impact analyses shortly.

Sincerely,

Chris Candler
General Manager
Halpatter Brewing Company