



ARIN Facility Update

Nate Davis, Chief Operating Officer

October 2015

Re-cap

- *We have evaluated our facility options*
 - *Per Board guidance, staff has explored both expansion space and single site locations*
 - *A single, larger office space is better given facility and staff needs*
 - *Supports inter-department and inter-team collaboration*
 - *Provides a safer (more secure) environment for employees*
 - *Increases efficiency of administrative staff on facility issues in a managed office space vs. self-managed office space*
- *Current facility conditions to accommodate staff growth are a short term fix and a long term solution is necessary*
- *Board directed staff in July to further evaluate and report back*
- *Board requested clarification on financials in August and to report back*

Re-cap (Expansion Option Analysis)

	Current Facility	Expansion Space	Combined
Term	January 2019	Short-term (e.g. January 2019) or up to 10 years	Would seek co-terminating to either Jan 2019 or 2026
Annual Cost	\$474,243	\$418,255 (ST) or \$261,000 (LT)	\$892,000 (ST) or \$735,243 (LT)
Square Footage	14,817	8,142	22,959
Price Per Square Foot	\$32.01	n/a	\$51.37 (ST) or \$32.04 (LT)
Capacity	65 (will have 80 employees once open vacancies are filled)	30 (need to relocate whole departments)	95

Research on New Office Space

- *Reviewed potential viable office space in market*
 - *Real estate brokers provided twelve (12) initial options which were narrowed down to four (4) viable options. Due to various factors including cost, square footage, security, location, traffic patterns, etc., have further narrowed to two (2) solid options.*
 - *Solicited feedback from ARIN's management team including onsite tours*
 - *Prepared analysis with assistance of real estate brokers with cash flow models, proposal comparisons, lease term options, construction costs, and architectural programs and test fits*
- *Comparative figures and terms demonstrate both feasibility and material advantages of new office space*
- *ARIN management team further narrowed to one (1) solid option due to various factors; our other option may no longer be available and overall pricing and terms are more cost effective for ARIN*

Staff Findings (New Office Analysis)

- Based on Test Fits with architect, total required approximate square footage is 25,000
- Lease Commencement date would be August 1, 2016
- Costs noted below includes moving, fixtures, furniture, security systems, and build-out

	Current Facility	Combined (Current Facility and Expansion)	New Space Option (Greens I)
Term	January 2019	Would seek co-terminating to either Jan 2019 or 2026	10 Years, 6 months from Lease Commencement Date
Annual Cost	\$474,243	\$892,000 (ST) or \$735,243 (LT)	\$824,462
Square Footage	14,817	22,959	25,949
Price Per Square Foot (Avg over lease term)	\$32.01	\$51.37 (ST) or \$32.04 (LT)	\$31.77
Capacity	65 (will have 80 employees once open vacancies are filled)	95	100

Staff Findings (New Office Analysis - Continued)

- Both options allow for subleasing the space
- Both options offer base rental abatement for 12 months
- Both options allow ARIN to occupy entire top floor of building

	Current Facility	Combined (Current Facility and Expansion)	New Space Option (Greens I)
Termination Options	As of August 1, 2016, our lease liability will be \$917,943. If we sublease our space, cost could drop to \$550,325.	Would seek co-terminating to either Jan 2019 or 2026	Two (2) one-time termination options after 6 years and 8 years.
Expansion Options (need to confirm details of this)	n/a	n/a	Right of First Refusal for 5 th floor after year 1 & option to expand by at least 6,000 sf to available space on a non-contiguous floor after year 5.
Swing Space Option	n/a	No	Yes

Existing Lease vs. Proposed Lease – Cash Analysis

Existing Rent vs Proposed Rent													Revised 201500930
Cash Basis													
Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Totals
Current Lease assuming a 3% increase each year													
14,817 sq ft @ \$18.01													
Rent	274,164	282,389	290,861	299,587	308,574	317,832	327,367	337,188	347,303	357,722	368,454	380,431	3,617,708
Taxes	33,146	33,809	34,485	35,175	35,878	36,596	37,328	38,074	38,836	39,612	40,405	20,202	390,400
CAM	46,671	47,605	48,557	49,528	50,518	51,529	52,559	53,610	54,683	55,776	56,892	28,446	549,702
Total Rent	353,981	363,802	373,903	384,289	394,971	405,956	417,254	428,872	440,822	453,111	465,751	429,079	4,557,810
Electric	73,440	74,909	76,407	77,935	79,494	81,084	82,705	84,359	86,047	87,768	89,523	89,523	909,753
Mtce	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570	37,301	37,301	379,064
Cleaning	17,662	18,016	18,376	18,743	19,118	19,501	19,891	20,288	20,694	21,108	21,530	21,530	218,796
Total Current Bldg	475,683	487,939	500,522	513,441	526,705	540,325	554,310	568,670	583,415	598,557	614,105	577,434	6,065,423
25,949 sq ft @ \$31.77													
Rent		330,850	693,098	716,452	734,097	752,002	770,685	789,369	808,830	828,811	849,051	469,290	7,742,535
Furniture	570,878												570,878
LH Improvements	2,555,154												2,555,154
Terminate 3635	917,943												917,943
Tenant Allowance	(1,946,175)												(1,946,175)
Total New Bldg	2,097,800	330,850	693,098	716,452	734,097	752,002	770,685	789,369	808,830	828,811	849,051	469,290	9,840,335
Difference	1,622,117	(157,089)	192,576	203,011	207,392	211,677	216,375	220,699	225,415	230,254	234,946	(108,144)	3,299,229

Existing Lease vs. Proposed Lease – Financial Statement Analysis

Existing Rent vs Proposed Rent

Financial Statement Basis

Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Totals
Current Lease assuming a 3% increase each year													
14,817 sq ft @ \$18.01													
Rent	274,164	359,773	359,773	359,773	359,773	359,773	359,773	359,773	359,773	359,773	359,773	359,773	3,957,506
Taxes	33,146	33,809	34,485	35,175	35,878	36,596	37,328	38,074	38,836	39,612	40,405	20,202	390,400
CAM	46,671	47,605	48,557	49,528	50,518	51,529	52,559	53,610	54,683	55,776	56,892	28,446	549,702
Total Rent	353,981	441,187	442,815	444,476	446,170	447,898	449,660	451,458	453,292	455,162	457,070	408,422	4,897,608
Electric	73,440	74,909	76,407	77,935	79,494	81,084	82,705	84,359	86,047	87,768	89,523	89,523	909,753
Mtce	30,600	31,212	31,836	32,473	33,122	33,785	34,461	35,150	35,853	36,570	37,301	37,301	379,064
Cleaning	17,662	18,016	18,376	18,743	19,118	19,501	19,891	20,288	20,694	21,108	21,530	21,530	218,796
Total Current Bldg	475,683	565,323	569,434	573,627	577,904	582,267	586,717	591,256	595,885	600,608	605,424	556,776	6,405,221
25,949 sq ft @ \$31.77													
Rent		368,692	737,384	737,384	737,384	737,384	737,384	737,384	737,384	737,384	737,384	737,384	7,742,532
Rent 3635	917,943												917,943
3635 Def'd Rent	(53,272)												(53,272)
Tenant Improv. Allow.		(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(176,925)	(1,946,175)
Deprec. on Leasehold		232,287	232,287	232,287	232,287	232,287	232,287	232,287	232,287	232,287	232,287	232,287	2,555,154
Deprec. On Furniture		114,176	114,176	114,176	114,176	114,176							570,878
Total New Bldg	864,671	538,229	906,921	906,921	906,921	906,921	792,746	792,746	792,746	792,746	792,746	792,746	9,787,060
Difference	388,988	(27,094)	337,487	333,294	329,017	324,654	206,029	201,490	196,860	192,138	187,321	235,970	2,906,155

Staff Recommendation

- *Moving into one single office is more optimal than expanding our existing space:*
 - *Nominal difference in cost for expanding vs. new office*
 - *Current real estate market puts ARIN in the driver's seat in terms of negotiating new office space*
 - *Increased efficiencies vs. separation of staff into two distinct spaces*
 - *Eliminates requirement to administratively manage two distinct spaces*
 - *Expansion option essentially is paying more for less*
 - *Single office move allows for upgrade to ARIN facilities at no increased cost compared to expansion (better infrastructure, fiber availability, etc.)*
- *New space is most cost effective and most appealing to the management team (pending a technical and executive walk-through):*
 - *Price per sq. ft. for managed space is lower than current facility's price per sq. ft. for self-managed space*
 - *Provides most flexibility with regard to options for early lease termination or space expansion*
 - *On-site property management with 1-2 hour SLA response time for facility issues*
 - *Convenient location*

Staff Seeks

- *Approval to seek a lease agreement*
- *Execute on moving plans*

Questions?