



MEMORANDUM

TO: Mayor Burch and City Council Members

FROM: Gregg Guetschow, City Manager

SUBJECT: National Guard Armory Purchase—Inter-Fund Lease Rate

DATE: February 5, 2015

During the Council's discussion regarding the Armory purchase on January 26, an error was discovered in our calculations regarding utility costs associated with ownership of the Armory. This error appears on page 10 of my report. These costs were used to estimate charges that would be paid by other funds for use of storage space. The error is one that we should have caught. I apologize for the confusion.

Since the time of the original report, we have been able to secure utilities information for each month in state fiscal years 2013 and 2014 with the exception of September 2014. These are summarized in the following table:

FY	Electric	Gas	Sewer	Water
2013	\$8699	\$8258	\$365	\$270
2014	\$1806	\$7784	\$236	\$181

These numbers appear to reflect differences related to occupancy with 2014 showing a very low level of activity at the building. The use of natural gas in FY 2014 reflects the long and cold winter that we experienced.

I believe that utilization of the building primarily as a storage facility will result in utility costs comparable to those for 2014. To the utility allowance of \$10,000, we can add another \$10,000 to cover other costs related to minor maintenance and repairs, insurance, lawn mowing, snow removal and the like. This additional allowance is a bit higher than the calculation in my original report to adjust for missing utility data for September 2014.

If we allocate the purchase price entirely to the 10,200 square feet of storage space in the west portion of the building and amortize that over 20 years, we arrive at a cost of \$1.16 per square foot per year. The \$20,000 of utility and operational costs adds \$1.96 per square foot to the building cost for a total of \$3.12 per square foot per year. If we assume, by way of example, that the utilities division will use 2000 square feet, the cost per year to that budget would be \$6,240.

In the earlier report, we analyzed the cost of leasing commercial storage space. This portion of the report, found on page 14, is updated with below:

Another alternative would be leasing commercial storage. A rate for such storage could be compared to the inter-fund lease rate estimated above. The on-line rate quoted for a 10-foot by 30-foot unit at Budget Self-Storage in Lansing is \$8.76 per square foot per year as compared to the \$3.12 inter-fund rate estimated above. It is impossible without further exploration to determine whether this is a representative rate for commercial storage or whether lower cost alternatives exist in Charlotte.