

AGENDA
MAPLE PLAIN ECONOMIC DEVELOPMENT AUTHORITY
MAPLE PLAIN CITY HALL
June 9, 2014
5:30 PM

- I. CALL TO ORDER**
- II. ADOPT AGENDA**
- III. CONSENT AGENDA**
- IV. ADMINISTRATIVE REPORTS**
- V. OLD BUSINESS**
 - A. Exclusive Sale Listing Agreement
 - B. Discovery Center Lease Option
- VI. NEW BUSINESS**
 - A. 2014 Workplan
- VII. OTHER BUSINESS**
- VIII. ADJOURNMENT**

Next meeting: Monday, July 14, 2014, at 5:30 p.m.

**Special Meeting of the Maple Plain Economic Development Authority
Meeting Minutes
January 13, 2014
Maple Plain City Hall
5:30 PM**

1. CALL TO ORDER

Chair Hackbarth called the meeting to order at 5:35 p.m.

Present: Members Michael DeLuca, Dave Eisinger, Justin McCoy and Jack Henrich;
and City Administrator Tessia Melvin.

Absent: Jerry Young.

2. ADOPT AGENDA

Mayor Hackbarth asked the EDA for clarification on a past agreement the City had made with Medina and business resources. Eisinger reported that a report was provided in July and that it was through the County. Melvin agreed to check on this and provide an update.

McCoy moved to adopt the Agenda with minor change in adding item about replacement of Commissioner; DeLuca seconded. Motion passed 5-0.

3. CONSENT AGENDA

There were no items under consent agenda.

4. ADMINISTRATIVE REPORTS

There was no Administrative Report.

5. OLD BUSINESS

Melvin asked the EDA members to provide guidance on how to complete the minutes of November, as she was not yet hired and no note were provided. McCoy agreed to assist with this.

6. NEW BUSINESS

Representatives Norm Wenck and Mark Hovelson, Bossardt Corporation presented their Facility Needs Assessment Study for the City Hall of Maple Plain. Their plan includes six options

1. Option One: Remodel City Hall
This option would include minor interior upgrades to the current City Hall. The potential cost estimate would be \$50,000-\$75,000.
2. Option Two: New City Hall at Current Location

This would include a new 2,400 square foot masonry and steel building constructed at the same location as the existing City Hall. The potential cost estimate would be: \$550,000-\$650,000

3. Option Three: Locate City Hall on the Fire Station Site

This is two-pronged. The first part involves constructing a new 2,400 SF masonry and steel addition to the Fire Station. The second part includes an addition to the Fire Station.

4. Option Four: Lease Space at Discovery Center

This option includes leasing adequate office space and conference room space at the Discovery Center and remodeling it to serve City Hall functions. The potential cost is to be determined by consultant.

5. Option Five: Shared Space at Independence City Hall

This option would include sharing space with Independence. No cost estimation has been determined by consultant.

6. Option Six: Private/Public Partnership

This involves the City teaming up with a private developer to redevelop the downtown district and the City may consider considerations to the developer for facility use.

Mayor Hackbarth asked about the excitement of the Discovery Center and Hovelson reported that there was much excitement. There was much discussion on the top three options according to the EDA:

1. Sharing with the Discovery Center
2. Building on the Fire Station site
3. Sharing of the City of Independence facility

McCoy moved to provide the consultant with the direction of exploring three and four and provide the Council more information ; DeLuca seconded. Motion passed 5-0.

7. OTHER BUSINESS

Mayor Hackbarth agreed to bring up the vacant position on the EDA at the Council meeting. Melvin agreed to post press release on vacant commissions.

8. CLOSED SESSION

None.

9. ADJOURNMENT

DeLuca moved to adjourn; Eisinger seconded. Motion passed 5-0. Meeting adjourned at 6:38 p.m.

Prepared by

Tessia Melvin, City Administrator

Memorandum

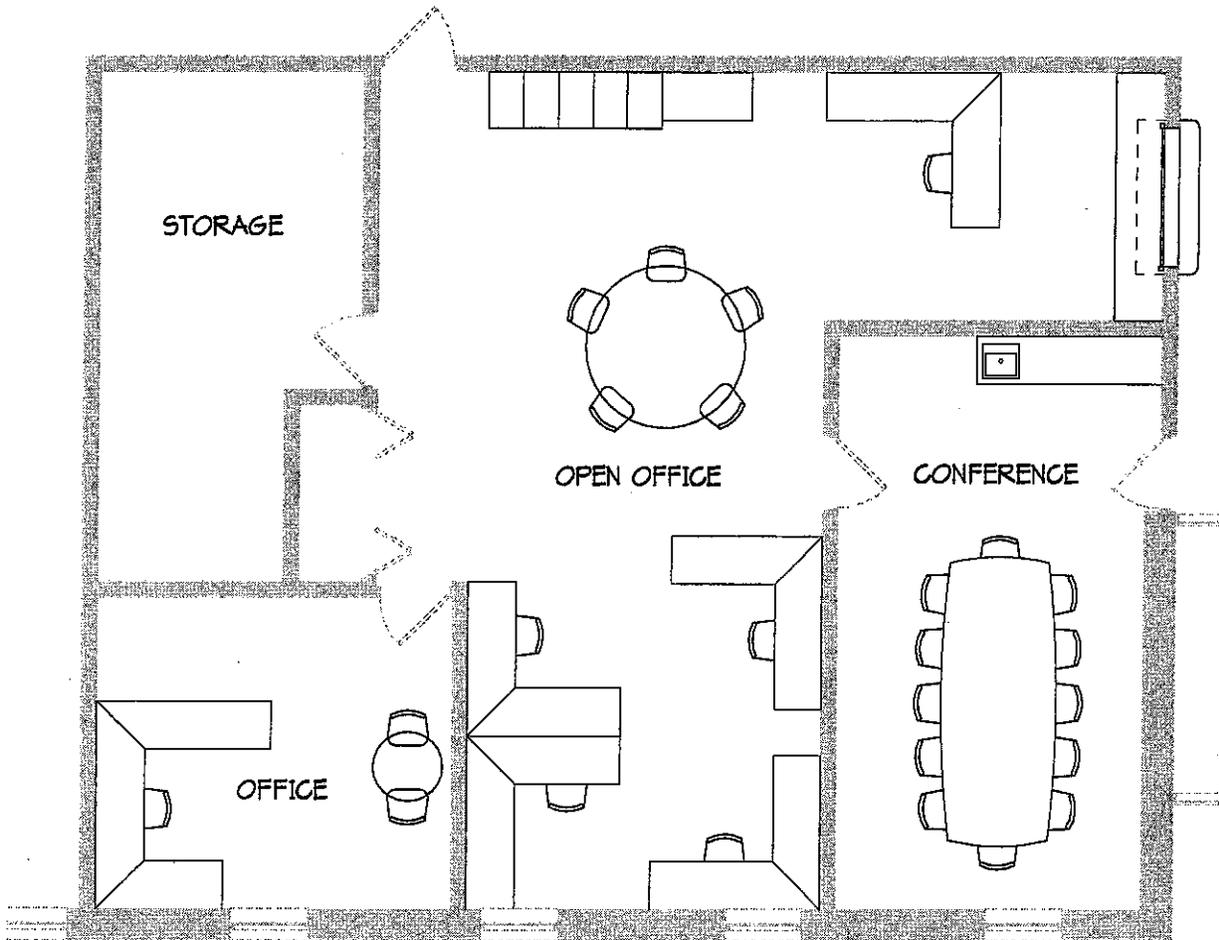
To: Mayor and City Council Members
From: Tessia Melvin, City Administrator
Date: June 9, 2014
Re: Discovery Center Lease Option

BACKGROUND

Attached you will find the information distributed by Wenck Construction and Remediation regarding the site assessment of City Hall.

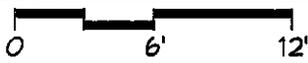
THINGS TO CONSIDER

Also attached is a concept plan of the new space at the Discovery Center.



1 CITY MAIN OFFICE

1/8" = 1'-0"



SUMMARY

The existing Maple Plain City Hall was built in 1950. It is approximately 3000 SF (excluding the 900 SF pump room) of which approximately 600 SF is rented out to the West Hennepin Drug Task Force. It is located on a 0.30 acre site at 1620 Maple Avenue in Maple Plain, MN. It was renovated with a new roof top mechanical unit in 2003, and new windows and minor space remodeling in 2006. City Hall is tax exempt and currently costs about \$14,000 annually to operate and maintain. The fair market value of the City Hall property, as determined by the Nagell Appraisal January 25, 2012 appraisal is \$189,000.

It is the opinion of some community leaders that nothing needs to be done to City Hall or only do modest renovations. However, if and when Downtown is redeveloped, some community leaders see that as an opportunity to redevelop City Hall as well. The Economic Development Authority (EDA) requested us to explore the option of leasing space at Discovery Center (Orono Public Schools) and building a new City Hall next to or attached to the Fire Station.

The Well House (approximately 900 SF) which serves as a back-up city well, adjoins the facility as a separate space and is not included in our report. There is also a small 24'x 15' historical Post Office museum on the SW corner of the property and this is not addressed in our report. This building could be relocated if the site is redeveloped.

Parking appears to be adequate. There are approximately 8-10 unmarked parking spaces to the south, plus parking on the City owned property to the east. Ample on street parking is also available.

The Pros and Cons of these options are discussed, including probable cost estimates for each option, and our recommendation for planning the future of Maple Plain City Hall.

- a) Rent space at Discovery Center. A proposed 5 year lease at Discovery Center at approximately \$31,000 per year. This includes all expenses, custodial and tenant improvement costs. This amounts to an annual increase of approximately \$18,000 from what current City Hall expenses are.
- b) New City Hall on Fire Station site. Estimated project costs of \$584,000 to \$687,000 depending on construction materials. Creates Municipal campus.
- c) City Hall addition to the Fire Station. Estimated project costs of \$685,000.
- d) Fire Station facility needs of \$168,000 have been identified including new roof and overhead doors. Also included are new additions to the fire station with estimated project costs of \$288,000 to \$514,000.
- e) Public Works facility needs of \$195,000 have been identified in addition to a separate \$72,000 salt/sand storage bunker.

DISCUSSION

Space Needs – City Hall:

City Hall spaces are based on current use and the services it provides. Many departmental functions are currently outsourced on an independent contractor consulting basis, including Finance, City Assessor, City Engineer, City Planner, Building Inspections, City Attorney, etc. This is a common theme among many smaller communities including nearby Independence, Orono and Long Lake. Here are the facts of our survey of these communities and how they conduct business at their City Hall as follows:

	Maple Plain	Independence	Orono	Long Lake
Contact:		Toni Hirsh 763-479-0513	Jessica Loftus 952-249-4601	Jeanette Moeller 952-473-6961

City Population	1788	3800	7400	1750
City Hall Built	1950	1992	1991	2003
Full-time Staff/Positions	2	4	13	*2
Planning			3	
IT			1	
Building Officials		1	2	
Finance		1	3	
Administration	2	2	4	2
City Hall Size, SF	2400	6240	8300	Est. 3200 SF
Community Center	No	Yes, 350 pp	No	No
Population Growth Projections 2030	2510	5500	10,000	2450
Council Chambers, Gallery Capacity	770 SF 25	3700 SF 350 people	2400 SF 100 people	Est. 800 SF 30 people
Police Facilities	No	Yes-separate 7000 SF	Yes-separate 3200 SF	Yes-shared Sub-station

*The City of Long Lake (built in 2003) originally employed six (6) full time staff but this has been reduced to only two (2).

Currently there does not appear to be a compelling reason to expand the size and staff of Maple Plain City Hall above the 2400 SF and two (2) full-time staff. The City does not appear to need to expand the current scope of services it provides to its citizens by adding staff and expanding the payroll. Of the overall 3000 SF at City Hall, 2400 SF are utilized by City Hall functions. The other 600 SF are leased by the West Hennepin Drug Task Force.

Below is a breakdown of current space use:

	<u>Approximate SF</u>
Offices: Open Administration office space	450
Copy/Work Room: For use by Administrative staff	160
Records Storage: For use by Administrative staff	135
Conference Room: Semi-private meetings, planning, community club room	470
Restrooms: Adequate for public and staff	160
Council Chambers: City Council and EDA public meeting with public seating for about 20 people	770
Circulation, hallways, mechanical	<u>200</u>
Total City Hall Spaces	2345 SF
Leased Spaces (Drug Task Force) 22%	<u>665</u>
Total building size	<u>3010 SF</u>

Met Council, Maple Plain 2030 Comprehensive Plan:

According to the Met Council and the Maple Plain 2030 Comprehensive Plan (reference Exhibit A), there is a forecast of 28% increase in population and households by 2030. Reference the attached population and household data from the Met Council and City of Maple Plain in Exhibit A. There are approximately 104 acres or 15% of the city's 686 acres that are considered undeveloped (excluding the 87 acres of undevelopable wetlands). Maple Plain's long range redevelopment plans includes three (3) separate districts: The Gateway District, the Budd Avenue/Highway 12 District and the Downtown District. The City is also rezoning property classifications to Mixed-Use in these Districts which will allow a broad array of uses to blend together to stimulate and encourage redevelopment. Medium and high density residential development is part of this plan.

If the City chooses the option to build a new City Hall, consideration should be given to accommodate the increased population projections for 2030. We recommend a slightly larger City Hall be considered to provide for a larger Gallery seating area in the Council Chambers to accommodate the occasional large City Council meeting. Two or three additional private offices and a larger conference room would also be recommended upgrades. Larger storage spaces should also be planned, particularly for election tables and equipment for a growing population. Lack of storage is a common complaint for many Cities.

By 2030 Maple Plain is likely to offer more in-house services and need additional staff who will need private offices. Being careful not to over-build like Long Lake may have fallen victim to, we recommend a new City Hall of approximately 3000-3200 SF be considered to accommodate the 2030 population growth projections of 28%. There does not appear to be a linear relationship to size of a City Hall, full-time staff or departmental services and a community's population. This varies widely in nearly every community.

CITY HALL OPTIONS

This part of the report describes and compares the several options for City Hall as selected by the EDA. We also discuss estimated construction or lease hold costs, and the Pros/Cons for each option.

Option 1 – Rent Space at Discovery Center

We met with the Orono Public Schools Business Manager, Mr. Tom Stringer, on February 14, 2014 to discuss Maple Plain City Hall leasing space at Discovery Center. We enclose the Lease Proposal outline, dated February 14, 2014, from Orono Public Schools (reference Exhibit B).

Please note this is a five (5) year Gross Lease for \$13.50/SF for the first year or yearly rent of \$31,000. The gross lease includes all utility and custodial expenses, which cost on average \$7.00/SF in the local area. Net lease rates in the local area typically run about \$10-12.00/SF. We enclose lease rate data from the Nagell Appraisal dated January 25, 2012 (reference Exhibit C).

All tenant improvements, including new HVAC unit, are provided. City signage and separate entrance could be considered but are the City's cost.

This appears to be a fair lease outline for Maple Plain. Further discussions with Orono Public Schools may result in even more favorable terms.

Pros

1. Realize Downtown Redevelopment Grant
2. Sale of existing City Hall property and subsequent redevelopment will generate real estate revenue and increase tax base and spur Downtown redevelopment.
3. Partnership with Orono Public Schools creating a center for the community.
4. Use of common areas, multi-purpose room available for large City Council meetings.
5. No real estate property depreciation.
6. No maintenance or custodial services required.
7. Firearms prohibited on school property.
8. Room to expand in the future at adjacent flex space.
9. Safety and security: fully sprinkled, security system in place.
10. Flexibility to move elsewhere when lease expires.

Cons

1. Traditional leases offer one month free rent per year. This needs to be discussed with Orono Public Schools.
2. Approximately \$18,000 higher occupancy costs than current location.
3. No equity.
4. Paying full rent for a partially utilized Council Chambers.

Option 2A – New City Hall on the Fire Station Site

This option involves constructing a new City Hall facility just north of the existing Fire Station. This facility would be 3200 Sf in size to accommodate year 2030 population projections. It would be constructed out of concrete, masonry, structural steel, joists, metal deck and aluminum storefronts. This site is fairly level but will require removing several significant trees. Previous soil borings indicate some soil corrections will be required to remove unsuitable fill materials. The existing water main may not have to be relocated away from the new buildings footprint. The soil corrections has no additive value to the project and will increase construction costs by about \$70,000. There appears to be enough space for the new building, ample parking lot and stay within the Highway 12 right-of-way setback. Reference Exhibit D.

The estimated project cost, in today's dollars, for this facility is \$687,000 or \$210/SF x 3200 SF (including \$70,000 for soil corrections). Wood framed construction will cost 15% less or \$584,000, but also will depreciate faster. Project costs include all construction, reasonable site work costs, Architect fees, permits, testing and overhead and profit costs. Furnishings and equipment costs are not included. Reference Exhibit D.

Pros

1. City owned facility – 100% equity, no rental costs
2. Municipal Campus – City Hall, Fire Station, Public Works, Water Treatment all on one site
3. No property taxes – City is tax exempt
4. No land costs – City owns the property

Cons

1. High cost of soil corrections
2. Requires passing a Bond Referendum

Option 2B – City Hall Addition to the Fire Station

This option is similar in size (3200 SF) as Option 2A, but the addition should match the precast wall panels at the Fire Station which may not be as architecturally desirable as face brick. In addition to \$70,000 in soil corrections the existing water main may also need to be relocated for a cost of \$18,000. The estimated project cost of \$685,000 in today's dollars, for this option are \$2,000 less than for Option 2A. The savings for sharing one exterior wall and less expensive precast wall panel construction are partially offset by the water main relocation cost. Reference Exhibit D.

Pros

1. City owned facility – 100% equity, no rental costs
2. Municipal Campus – City Hall, Fire Station, Public Works, Water Treatment all on one site
3. No property taxes – City is tax exempt
4. No land costs – City owns the property
5. Possible benefit of shared facilities and utility expenses with the Fire Station

Cons

1. High cost of soil corrections and water main relocation costs
2. The Fire Station is constructed of architectural precast wall panels. The City Hall addition should match this construction material in order to blend in, which may appear too industrial.
3. Requires passing a Bond Referendum

OTHER MUNICIPAL FACILITIES

There are a few pent up facility needs at the Fire Station and Public Works buildings that need to be prioritized and budgeted for. Reference Exhibit D.

We reviewed facility needs with staff at the Fire Station and Public Works buildings and identified the following primary concerns:

Fire Station Facility Needs: We provide a cost estimate in Exhibit D below for each of the following items.

1. New built-up roof.
2. New two story (2400 SF) addition. Add another full bay garage for squad vehicle parking with offices, shower, locker room, fitness room and storage on second level. This will be constructed with architectural precast wall panels, precast floor plank and metal bar joists and deck. Keep the second level under 3000 SF to avoid the expense of adding an elevator.

We also include an option to just add a one story garage bay addition for parking squad vehicles.

3. Five (5) new insulated 14' overhead doors.
4. Total estimated costs of improvements is \$168,000 and the new additions range from \$288,000 to \$514,000.

Public Works Facility Needs: We provide a cost estimate below for each of the following items.

1. Replace outside material storage bins with an enclosed sand/salt storage bunker. This will eliminate effluent run-off concern. The estimated project cost for this structure is \$72,000. Reference Exhibit F.
2. Replace the bottom 4' of the exterior metal wall panels, both interior and exterior. Replace steel angle sill plate.
3. New metal roof, "Hugger" style will increase roof insulation.
4. Move east exterior man door to north side, add new 10'X 10' overhead door on east wall.
5. Add shop general exhaust with motorized intake damper to improve ventilation.
6. Three (3) new insulated 14' overhead doors.
7. Total estimated costs of improvements, excluding the sand/salt storage bunker is \$194,000.

CONCLUSION

The EDA and City Council have several interesting options to consider regarding Downtown Redevelopment opportunities.

One of the major keys to this is vacating the current City Hall to allow the site to be redeveloped. Selling the property to developers will generate revenue and increase the tax base when new development is put in place.

We have presented several options for where to relocate City Hall, including preparing it for future population growth projections.

Leasing space at Discovery Center results in a community hub and allows flexibility to expand if needed in the future or relocate to another facility or new municipal building. There is also a higher annual operating expense and there is no equity with the lease option.

Building a new City Hall on the Fire Station site results in a Municipal Campus and City ownership, but requires passing a Bond Referendum which takes time and may not be successful.

There are also facility needs at the Fire Station and Public Works buildings that need to be prioritized and funded.

We have presented the EDA and City Council with the information they can use to make an informed decision regarding future planning for Maple Plain facilities.

City of Maple Plain - Discovery Center
Partnership with Orono Public Schools

Lease Proposal - Outline

2/14/2014

Consideration of approx 2,330 SF

Includes

- Dedicated Office Space and Council Chambers
- Renovated space - upgrades included
- Heat, power and AC
- Access to other common spaces as needed
- Located in SW part of building
- Parking available

Five year lease

Gross lease of \$13.50/SF - year 1 (2.0% a year following)

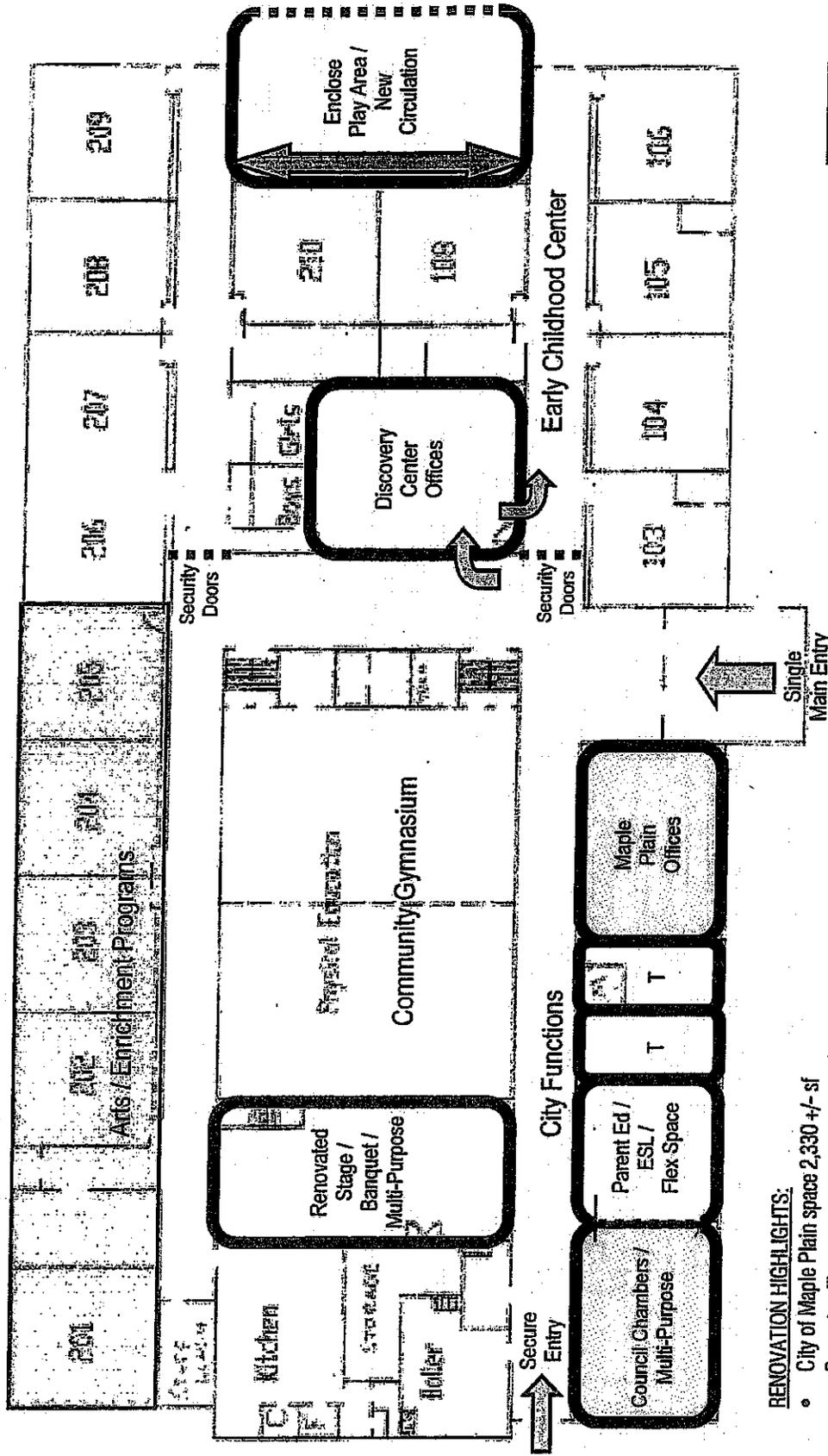
Custodial - common corridors daily/light cleaning to City offices daily

Signage could be combined with current District sign

City cost - District approval

Separate entrance could be considered at City cost

DISCOVERY CENTER RENOVATIONS
February 13, 2014



RENOVATION HIGHLIGHTS:

- City of Maple Plain space 2,330 +/- sf
- Separate offices
- Requires all visitors to pass through secure vestibule to access Early Childhood program

Income Approach -- continued

RENTAL, VACANCY AND EXPENSE CONCLUSIONS:

Market Rent Conclusion: Rents are typically on a net basis and generally range from 1 to 5 years. The previous rents for competing properties reflect the following ranges:

Rent Comparison Grid							
	SUBJECT	COMP. 1	COMP. 2	COMP. 3	COMP. 4	COMP. 5	COMP. 6
Address	1620 Maple Avenue, Maple Plain	620 Babcock Boulevard E, Delano	4900 Highway 12 E, Maple Plain	216 River Street N, Delano	3502 Shoreline Drive, Orono	145 Hamel Road, Hamel	172 Hamel Road, Medina
Proximity	Subject	6 miles NW	1 mile E	6 miles NW	6 miles SW	6 miles NE	6 miles NE
Conditions	Current	Asking	Asking	Actual	Actual	Actual	Asking
Location	Average	Avg/Good	Avg/Good	Average	Avg/Good	Average	Average
Site Size	12,670	32,670	370,260	8,646	13,463	48,893	22,689
Land/Bldg Ratio	5.44	13.07	14.24	1.73	4.30	6.43	6.87
Use	Commercial	Office	Commercial	Commercial	Commercial	Commercial	Commercial
Age	1950/E30	1990s/E10	1982/E15	1900/E40	1950/E30	1950/E30	1938/E30
Condition	Average	Average	Average	Average	Average	Average	Avg/Good
Quality/Appeal	Average	Average	Average	Average	Average	Average	Avg/Good
GBA	2,366	2,500	26,000	5,000	3,128	7,600	3,302
Unit Size	2,366	1,000	1,000 - 26,000	2,500 avg.	1,520 - 1,608	1,400	3,302
Expenses/SF	-	\$10.00	\$6.25	\$4.50	\$5.99	\$5.00	\$10.00
% of Gross Rent	-	44%	41%	41%	34%	29%	44%
Net Rate/SF		\$12.95	\$9.00	\$6.46	\$11.83	\$12.00	\$12.72
Adjustments	+/-						
Conditions	Current						
Location	Average	-10%	-10%		-10%		
Land/Bldg Ratio	5.44	-10%	-10%	5%			
Use	Commercial						
Age	1950/E30	-20%	-15%	10%			
Condition	Average						-10%
Quality/Appeal	Average						-10%
Unit Size	2,366	-5%	20%		-5%	-5%	
Expenses/SF	-						
Net Adjust		-45%	-15%	15%	-15%	-5%	-20%
Adj. Rate/SF		\$7.12	\$7.65	\$7.45	\$10.06	\$11.40	\$10.18

*Slight deviation due to rounding

Income Approach -- continued

Discussion of Adjustments

Conditions: Reflects conditions which may or may not impact the rent, such as differing motivations of tenant or landlord, lack of market exposure, vacancy, long term tenancy, etc. No adjustment necessary. All comparables considered competing.

Location: This adjustment is based on the appraiser's judgment. It takes into consideration surrounding land uses, intended use, neighborhood characteristics, area, traffic, exposure and access. Comparables 1, 2 and 4 adjusted for superior location appeal due to frontage or location in the Minnetonka Lakes area.

Site Size/Utility: Adjustment is based on the land to building ratio and the corresponding overall site utility. Comparables 1 and 2 adjusted for larger land to building ratios while Comparable 3 adjusted for a smaller ratio.

Use: All uses rated similar.

Age: Adjustments made at a rate of 1% per point difference in effective age.

Condition: This is a more subjective item that is based on reported building condition and external viewing. Comparable 6 adjusted for recent updates and/or less apparent wear and tear.

Quality/Appeal: Buildings with better design (more detail and variation) are typically considered more appealing. Comparable 6 adjusted for more appealing interior finish.

Unit Size: Adjustments recognize smaller units typically lease for more per SF than larger units. Comparables 1, 4 and 5 adjusted for smaller unit size while Comparable 2 adjusted for larger unit size.

Expenses: The comparables reported recoverable expenses ranging from \$4.50 to \$10.00 per SF with an average of \$6.96 per SF. As a % of gross rent, the comparables range from 29% to 44%. Rates appear reflective of the market. No adjustment required.

Conclusion Market and Subject Rents: The best of available rental data has been utilized. All comparables are given about equal weight in the analysis.

	Range	Average	Median
Before Adjustment	\$6.48 - \$12.95 per SF	\$10.83/SF <i>Net</i>	\$11.92/SF <i>Net</i>
After Adjustment	\$7.12 - \$11.40 per SF	\$8.98/SF	\$8.85/SF

All comparables given equal consideration. Given the subject's design, location and overall appeal, a rate of **\$9.00 per SF Net** is concluded.

Income Approach -- continued

Reported Subject Vacancy and Market: As noted earlier, the subject is 100% owner-occupied.

Office Vacancy Rates			
	Q2/2011	Q3/2011	Change
Twin Cities Metro	17.4%	17.0%	-0.4%
West Metro	19.3%	18.9%	-0.4%

Source: Cassidy Turley Commercial Real Estate Services

Historic vacancy rates generally range between 5% and 15%. Given the subject's occupancy, a rate of 10% is logical.

Subject Operating Expenses: The grid below reflects the subject expenses as estimated by the appraiser. The estimated rental rate is on a Net basis. The tenant paid expenses (recoverable) and landlord paid expenses (non-recoverable) are detailed below.

Expense Breakdown			
		Per SF	Annual
Recoverable Expenses			
RE Tax & Special Assess	Estimated	\$2.41	\$5,700
Utilities	Estimated	\$1.50	\$3,549
Insurance	Estimated	\$0.20	\$473
Repairs, Maintenance & Supplies	Estimated	\$0.75	\$1,775
Association Fees	None	\$0.00	\$0
Total Recoverable Expenses		\$4.86	\$11,497
Non-Recoverable Expenses			
Management	Estimated	\$0.25	\$590
Reserves for Replacement	Estimated	\$0.20	\$473
Leasing Expenses	Estimated	\$0.25	\$590
Total Non-Recoverable Expenses		\$0.70	\$1,653
TOTAL EXPENSES		\$5.56	\$13,150

*Slight deviations may exist due to rounding. *Maple Plain City Hall*

Vacancy & Credit Loss: Expenses that the landlord/owner does not recover when the property is vacant.

Income Approach – continued

Recoverable Expenses: Operating expenses that the tenant reimburses to the landlord. The estimated rental rate is based on a net basis, where the tenant pays for the following expenses:

Real Estate Taxes: Typical market rates range from \$4.00 to \$8.00+ per SF. The subject is tax-exempt, therefore the taxes are estimated.

Utilities: Typical market rates range from \$0.50 to \$2.00+ per SF. The estimated expense for the subject is within market range.

Insurance: Typical market rates range from \$0.05 to \$0.50+ per SF. The estimated expense for the subject is within market range.

Repairs, Maintenance & Supplies: Typical market rates range from \$0.25 to \$2.00 per SF. The estimated expense for the subject is within market range.

Market Expense Conclusion: The comparables reported recoverable expenses ranging from \$4.50 to \$10.00 per SF with an average of \$6.96 per SF. The estimated subject expense of \$4.86 per SF is within market range. As a % of gross rent, the comparables range from 29% to 44%.

Non-Recoverable Expenses: Typically, management, reserves for replacement and leasing expenses are costs incurred by the owner and are not transferred to the tenant.

Management: Typical market rates range from 0% to 10% of effective gross income. Most properties like the subject are owner-occupied or owner-managed. Therefore, a rate at the low end of the range is appropriate (2%).

Reserves for Replacement: Reserves for replacement are an allowance or an annual average needed to make short- and long-term improvements (long-term being structural, i.e. roof, windows, mechanical, parking, etc.). Setting aside for reserves reflects good management—an association fee (if any) acts partially as reserves. Typical market rates range from \$0.10 to \$0.50 per SF.

Lease Expenses: Typical market rates range from 0% to 10% of effective gross income. Most properties like the subject are owner-occupied or owner-managed. Therefore, a rate at the low end of the range is appropriate (2%).