

**EXPLANATION OF CONSENT AGENDA ITEM E.2.c.22 – April 27, 2016**

**ITEM:**

Consideration of approving the acceleration of the purchase date for the Flagler Titusville Logistics Center from FDG TICO, LLC as soon as practical. This purchase is contingent on availability of funds anticipated to be received from bank financing.

**EXPLANATION:**

Canaveral Port Authority entered into a lease/purchase agreement in December 2014 which outlined the term and conditions of the Port's leasehold interest. A lease amendment was signed in December of 2015 which extended the purchase option notice period until January 31, 2016. In January of 2016, a second amendment was signed whereby the purchase option was exercised requiring CPA to make a \$1.25M non-refundable deposit on or before May 1, 2016. The deposit will be applied to the purchase price and the amendment requires a closing date 30 days after giving notice on November 1, 2016. This would put the closing date on December 1, 2016.

The initial base lease rate for the 246,240 square foot building is \$4.50 with operating costs estimated at \$1.92 per square foot. The Port has received a letter from the seller giving notice that substantial completion was attained on April 1, 2016. Substantial completion triggers the Port's commencement of our rental obligation. Also upon final survey by an independent third party architect, the building size was increased 496 square feet from the early estimate of 246,240 to 246,736. Taking into account these factors and including sales tax but not operating costs, the monthly rent for the first year of the lease will be \$98,540. With closing anticipated to take place in December and rent commencement on April 1, 2016, CPA would be obligated for 8 months of lease obligations or approximately \$788,322.

Due to the current low interest rate environment, staff is recommending that the purchase date be accelerated ahead of schedule in order to minimize its out of pocket costs. With the approval of the bank loan portion of the financing for the renovation of Cruise Terminal 5, 8 and 10 on this month's agenda, CPA will have capacity on its line of credit to proceed with the purchase of the Titusville Logistics Center. See attached comparison.

If we proceed with the purchase and close by the end of May, CPA can save approximately \$645K in cash flow over the period of time from May until the new closing date detailed in the contract amendment of January, 2016. If approved, we would purchase the property on our line of credit and keep it on the line until the property is leased up and can support its own debt service and operating costs. Our breakeven analysis assumes debt service using the proposed bank loan (2.4%) and not the line of line of credit and includes operating expenses at the lease rate. The analysis indicates we break-even when 35% of the total building is leased.

**Staff recommends approval**

Prepared by: Scott Shepard/Rodger Rees



**Flagler Titusville Logistics Center  
Lease vs. Purchase Cash Flow Comparison**

**Purchase price calculation**

Purchase price		\$ 17,498,517
Initial tenant buildout		300,000
Lease payments prior to closing	\$ 4.50	<u>197,080</u>

Total capital invested or to be invested \$ 17,995,598

Monthly lease payment under lease		<u>\$ 98,540</u>
Payments during lease period		<u>\$ 788,322</u>

**Line of credit purchase**

Monthly payment - current rate	1.20%	<u>17,996</u>
Payments during lease period		<u>143,965</u>

Savings during period \$ 644,357

**Bank loan purchase**

Monthly payment - current rate	2.40%	<u>35,991</u>
Payments during lease period		<u>287,930</u>

Savings during period \$ 500,392

**Operating costs per square foot**

Under lease	\$ 1.92	\$ 473,733
Estimated	\$ 1.45	<u>357,767</u>

Anticipated savings on operating costs \$ 115,966

Total estimated savings-LOC \$ 760,323

Total estimated savings-Bank Loan \$ 616,358

**EXHIBIT A  
BOMA CERTIFICATION**

**WARE MALCOMB**  
Leading Design for Commercial Real Estate

February 27, 2015

**Den Marcus**  
Flagler Global Logistics  
1205 Le Jeune Road / 4th Floor  
Orlando, FL 32814

**SUBJECT: BOMA Square Footage Certification for Titusville Logistics Center, Building 01  
7700 US Highway #1, Titusville, Florida**

This letter certifies that per BOMA Guidelines, Titusville Building 01 square footages are as follows.

• Overall Building Usable Square Footage =	246,178 SF
• Building Service Area Square Footage =	558 SF
• Total Rentable Square Footage =	246,736 SF
• Tenant #1 - PORT CANAVERAL Usable Square Footage =	246,178 SF
• Tenant #1 - PORT CANAVERAL Rentable Square Footage =	246,736 SF

Should you have any questions regarding this letter of certification and BOMA Industrial Calculations please call

Best Regards-  
**WARE MALCOMB**



**Michael K. Bennett**  
Principal

**EXHIBIT B  
TCO**

**CERTIFICATE OF OCCUPANCY  
(TO EXPIRE ON JULY 1, 2016)**

Date Issued: April 01, 2016  
Permit Number: N15-000074

THIS CERTIFICATE IS ISSUED IN ACCORDANCE WITH THE LAWS, ORDINANCES, AND REGULATIONS ENFORCED BY THE BUILDING DEPARTMENT OF THE CITY OF TITUSVILLE, FLORIDA

Owner(s) & Address: FDG TCO LLC  
2855 LE JEUN RD 4TH FLOOR  
CORAL GABLES FL 33134

Address of Structure: 7700 SOUTH US HIGHWAY 1

Zoning: M-2 Construction Type: IIB

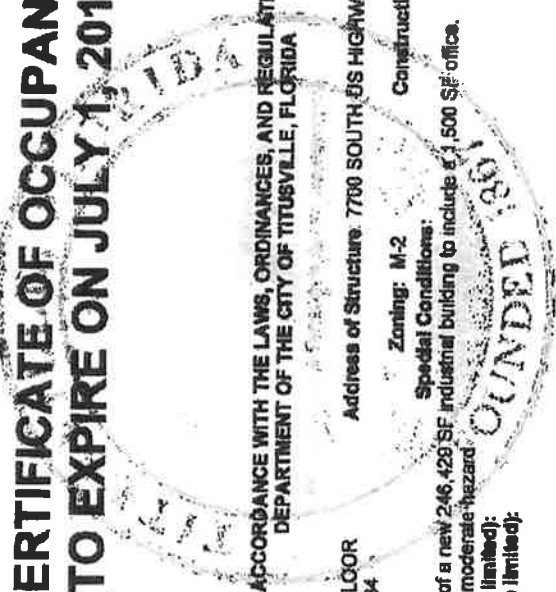
Special Conditions:

Construction Performed: Construction of a new 246,428 SF industrial building to include a 1,500 sq. ft. office.

Building Authorized Use: S-1 Storage, moderate hazard

Maximum Occupants Per Floor (where limited):

Maximum Floor Load Allowable (where limited):



FBC 2014 N.E.C. 2011

Fire-Sprinkler Required YES

THIS CERTIFICATE IS NOT TRANSFERABLE AND BECOMES INVALID UPON CHANGE OF OCCUPANCY OR UPON ANY CHANGES TO THE BUILDING OR PREMISES OR UPON ANY VIOLATION OF THE ZONING ORDINANCE OR ANY AMENDMENTS THERETO

*[Signature]*  
SIGNATURE OF BUILDING OFFICIAL