



Newark Public Schools Real Estate Review

February 2, 2017



REAL ESTATE SELECTION CRITERIA

- Identify lowest cost and most efficient solution to help minimize cuts to schools and teachers.
- Timing July 2017.
- Minimize cost overrun risk and stabilize annual budget by securing “gross” lease with turnkey provision on buildout.
- Space for Community Outreach and opportunity for Student Learning.

**Newark Public Schools Scenario Analysis
Summary of Projected Occupancy Costs (\$000)**

ANNUAL COST - CURRENT

CURRENT SITUATION	2 Cedar St. (\$000)
Contractual Base Rent	\$2,991 NNN
Operating Expenses ¹	\$608
Real Estate Taxes ²	\$611
Other Direct Expenses ³	\$467
Subtotal Expenses	\$4,676
Tenant Electric	\$279
Moving Expenses	-----
Projected Annual Cost (August 2016 - July 2017)	\$4,955

Notes:

¹ Operating Expenses charged in addition to Net Rent.

² Real Estate Taxes charged in addition to Net Rent.

³ Estimates for NPS Security, Cleaning, Water/Sewer, Natural Gas - incurred on a direct basis in addition to rent per Lease.

Newark Public Schools Scenario Analysis Summary of Projected Occupancy Costs (\$000)

16-Year Analysis Period

PROPOSED RELOCATION	765 Broad (\$000)
Contractual Base Rent	\$28,860 FS Gross
Operating Expense Escalations ¹	\$1,107
Real Estate Tax Escalations ²	\$1,007
Other Direct Expenses ³	\$4,823
Subtotal Expenses	\$35,797
Tenant Electric	\$3,094
Moving Expenses	\$300
Total Projected Occupancy Expenses	\$39,191
Annual Average over 16 Years	\$2,449
Average Annual Occup Exp Savings	(\$2,506)
Capital Contingency ⁴	\$1,942
Less Landlord Allowance	n/a
Net Capital Contingency	\$1,942
Total Projected Occ Exp + Capital	\$41,133
Annual Average over 16 Years	\$2,571
Average Annual Total Cost Savings	(\$2,384)

Notes:

¹ Estimated increases in Operating Expenses over estimated Base Year amounts.

² Estimated increases in Real Estate Taxes over estimated Base Year amounts.

³ Estimates for NPS Security only; other costs included in Gross Rent.

⁴ Capital Estimate of \$20 per RSF estimate for items TBD for other options. Excludes Data Center construction, equipment and operating costs.

* All amounts estimated, except for Contractual Base Rent which is per landlord proposal.

- 2Q16 – Review Newark Market Availabilities.
- 3Q16 – RFP's Issued.
- 4Q16 – Counter proposals reviewed/Top selections determined.
- 1Q17 – Review terms and approve 765 Broad Street relocation option.

ANALYSIS OF PROPERTIES UNDER CONSIDERATION

Newark Public Schools Scenario Analysis Summary of Projected Occupancy Costs (\$000)

16-Year Analysis Period

CURRENT SITUATION	2 Cedar St. (\$000)	PROPOSED RELOCATIONS	765 Broad (\$000)	33 Washington (\$000)	2 Cedar St. (\$000)	321 University (\$000)
Rentable Area Leased	181,826 RSF	Rentable Area Leased	97,101 RSF	100,000 RSF	97,284 RSF	88,683 RSF
Contractual Base Rent	\$2,991 NNN	Contractual Base Rent	\$28,880 FS Gross	\$35,073 FS Gross	\$33,261 Mod Gross	\$36,290 FS Gross
Operating Expenses ¹	\$808	Operating Expense Escalations ⁴	\$1,107	\$1,795	\$1,774	\$2,473
Real Estate Taxes ²	\$611	Real Estate Tax Escalations ⁵	\$1,007	\$970	\$1,103	\$1,032
Other Direct Expenses ³	\$487	Other Direct Expenses ⁶	\$4,823	\$4,842	\$7,958	\$4,833
Subtotal Expenses	\$4,876	Subtotal Expenses	\$35,797	\$42,681	\$44,095	\$44,628
Tenant Electric	\$279	Tenant Electric	\$3,094	\$3,187	\$3,100	\$2,826
Moving Expenses	---	Moving Expenses	\$300	\$300	\$300	\$300
Projected Annual Cost (August 2016 - July 2017)	\$4,955	Total Projected Occupancy Expenses	\$39,191	\$46,167	\$47,495	\$47,754
		Annual Average over 16 Years	\$2,449	\$2,885	\$2,968	\$2,985
		Average Annual Occup Exp Savings	(\$2,506)	(\$2,069)	(\$1,986)	(\$1,970)
		Capital Contingency ⁷	\$1,942	\$2,000	\$4,864	\$4,878
		Less Landlord Allowance	n/a	n/a	\$0	(\$3,104)
		Net Capital Contingency	\$1,942	\$2,000	\$4,864	\$1,774
		Total Projected Occ Exp + Capital	\$41,133	\$48,167	\$52,360	\$49,528
		Annual Average over 16 Years	\$2,571	\$3,010	\$3,272	\$3,095
		Average Annual Total Cost Savings	(\$2,384)	(\$1,944)	(\$1,682)	(\$1,859)

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⁴ Estimated increases in Operating Expenses over estimated Base Year amounts.

⁵ Estimated increases in Real Estate Taxes over estimated Base Year amounts.

⁶ Estimates for Security, Cleaning, Water/Sewer, Natural Gas at 2 Cedar (direct expenses); estimates for Security only (others included in Base Rent) for 765 Broad, 321 University and 33 Washington.

⁷ Capital Estimate for reconstruction / renovation to consolidate onto 9th & 10th Floors at 2 Cedar; \$20 per RSF estimate for items TBD for other options. Excludes Data Center construction, equipment and operating costs. Does not include the cost of furniture at 33 Washington that landlord may decide to amortize into the Base Rent. Potential additional cost to NPS.

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EXISTING SITUATION vs. 765 BROAD STREET

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Real Estate Tax Escalations ⁴	\$1,103
Other Direct Expenses ⁵	\$7,958
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Moving Expenses	\$300
Total Projected Occupancy Expenses	\$47,495
Annual Average over 16 Years	\$2,968
Average Annual Occup Exp Savings	(\$1,986)
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1. \$2 million in annual savings.
2. Space for community outreach and student learning.
3. Prime CBD locations.
4. Efficient and collaborative workspace.