

Local 458 Building Purchase Overview

The purpose of this information package is to give the members of CUPE Local 458 enough information to be able to make an informed decision as to whether or not the Local should move from leasing our office space to owning the building in which our offices exist.

Your Local Executive Board has been investigating the idea of purchasing our own office space for several years. When this idea was first investigated a number of years back, there was a lack of affordable space available in a decent location and the matter was tabled. Recently the executive has begun actively looking for suitable properties due to the low interest rates, reasonable purchase prices in the current market, and membership interest discussed at past General Membership Meetings. In the last year there have been a number of properties that have sold that would have not only been suitable for our local's needs, but have been affordable as well. In short, your Executive Board feels that if we are to own our own building the time to act is now.

Currently the Local is leasing office space at a cost of \$2038.40 per month or \$24,460.00 per year. This is a huge expense that offers no options for a return on investment. By investing these funds in a building that is essentially owned by the local many opportunities for financial gain become available.

This information package includes several options that show projections relating to the cost of ownership for each scenario. It should be noted that in order to move forward with any of these options the Local would need to establish a not for profit society that would hold title to the acquired real estate. The society would be it's own entity with it's own finances separate of the Local's. Local 458 would in turn lease office space from the society. The main reasons for this are:

1. The Local would be protected from having the building taken from us if we ever dis-affiliated from CUPE National or if our union was raided by another union.
2. There are many tax advantages that exist using this model

At a special membership meeting @ the union office boardroom (upstairs) scheduled for **Nov. 7th 2012 @ 7pm** several motions will be voted on regarding the possibility of purchasing a building. These motions were presented to the membership at the AGM in September as a notice of up-coming motions, and came with the executive's recommendations. The purpose of these motions will be to give a building purchase committee the authority to:

1. Complete the necessary work needed to put the local in a position to purchase a suitable building
2. Give the Committee the authority to procure inspections, legal advice etc. regarding a potential building
3. Make an offer on a suitable building with the caveat that any and all offers must include as a subject of sale; approval of CUPE Local 458 Membership by majority vote at a General Membership Meeting.

Note: The actual motions to be debated are listed on page 14 of this package.

Any details regarding a particular property would be discussed and voted on @ a separate membership meeting once an offer has been accepted by the committee. An information package similar to this one would be distributed prior to that meeting including a comprehensive financial analysis.

Note: The Executive Board will NOT pursue any options(s) that would require a dues increase.

Summary of Options

Option #1

This option represents an increase in monthly costs to the Local of \$906.60. While this is not unattainable without having to increase union dues, our yearly budget would have little flexibility.

Option#2

This option represents a potential savings to the Local of \$503.40 per month. This is a viable option.

Option #3

This option represents an increase in monthly costs to the Local of \$1,456.60. This is not a viable option as the monthly expenses are too high.

Option #4

This option represents an increase in monthly costs to the Local of \$46.60. This is a viable option.

Option # 5

This option represents an increase in monthly costs to the Local of \$201.60. This is a viable option.

Option #6

This option represents a potential savings to the Local of \$398.40 per month. This is a viable option.

It appears as if there are, financially, many viable options relating to a building purchase that the local would benefit from. It is important to note that the options that present the best opportunities for cost savings are those that provide for some leasable office space, as well as any in which our Local would partner with another.

Note: All of the options presented are based on estimates and projections. While these figures are based on solid research the actual costs will vary. Taking this into consideration expenses have been rounded up and profits have been considered conservatively.

Leasing vs. Owning

Current Lease

\$2038.40 per month or \$24,460.80 annually for 578 ft² of office space (plus share of common areas)

Pros

- Stable payment
- Low Risk
- Minimal Labour to administer
- Nice Facilities

Cons

- Extremely high lease rate compared to current market
- Costly expenditure that taxes annual budget (\$24,460.80/year that can't be invested to provide return/asset for local)
- Lack of control over use of building
- Loss of control over budget, administration (tied to lease for term)
Hinders Local's ability to build savings (defense fund)

Owning own Building under Not for Profit Society

Pros

- Possibility of significantly reducing monthly expenses (local to pay amount closer to fair market value for lease)
- 1 year lease from society that can be reduced each year if society's finances allow
- Monthly expense that is currently lost will be put into an asset that can appreciate in value
- Potential for excellent return on investment
- Many current line items in budget could be done through Society (ie. Bursaries, education, Political Action etc.) thereby reducing yearly expenses for local
- Full control over our destiny
- Lease of extra office space/meeting room has potential to pay monthly operating expenses of building and possibly pay down mortgage quicker

- Ability to tailor space to meet our needs
 - Could include room for child care during General Membership Meetings
 - Technology to allow for paperless meetings (large projection)
 - Room for Shop Stewards office giving stewards office space to work on grievances with filing at office as opposed to @ home or work.
 - Professional appearance (builds pride amongst members)
- Greater use of building by membership
 - Meeting Room could be made available to members for use
- Enhanced image within community
 - Reduction in expenses could allow for local to provide greater involvement in community activities
- Potential for local to build bigger defense fund from savings
 - Local can borrow against asset if needed
- Potential for Local to pay down mortgage in shorter period of time
 - Without mortgage, potential for savings increases dramatically

Cons

- Administration more involved
- Local to assume a certain amount of risk

Price per square foot Comparison

Property	Square Footage	Asking Price	Price/ft ²	Condition
45715 Hocking Ave.	6000	\$375,000.00	\$62.50	Older Building (70 ⁵) New Roof, Needs extensive reno inside
9345 Main St.	9432	\$2,100,000.00	\$222.65	Fully renovated
A8850 Young Rd.	4471	\$732,918.00	\$163.93	Needs moderate reno
B45610 Yale Rd.	11668	\$1,659,000.00	\$142.18	New bldg. interior to build to suit
1-8433 Harvard Place	1905	\$415,000.00	\$217.85	Newer bldg. needs minor renovation inside
46120 Airport Rd	3200	\$448,900.00	\$140.28	Newer bldg. needs moderate reno inside
8422 Young Rd	3087	\$690,000.00	\$223.52	New bldg. interior to build to suit. Parking lot to be installed

Average price per square foot = \$167.00/ft²

Note: This price per square foot comparison includes properties that have sold within the last year as well as some properties that remain available. It is likely that renovations of varying degrees will be needed depending on the building purchased, and this will need to be factored in to the total cost.

Option #1**Purchase of own building @ \$400,000.00 with no office space to lease**

Purchase Price	\$400,000.00	(bldg. valued @ \$181.82/ft ²)
Down Payment	\$150,000.00	
Mortgage	\$250,000.00	

Estimated Monthly Building costs:**Building Costs (based on a 2200 ft² building housing only Local 458)**

	monthly	annually
Property tax	\$ 400.00	\$ 4800.00
Landscaping	\$ 150.00	\$ 1800.00
Utilities Sewer/water	\$ 35.00	\$ 420.00
Utilities Waste Disposal	\$ 50.00	\$ 600.00
Utilities Fortis Gas	\$ 100.00	\$ 1200.00
Utilities BC Hydro	\$ 200.00	\$ 2400.00
Custodial – 3 hours per week \$20.00 per	\$ 260.00	\$ 3120.00
Insurance	\$ 300.00	\$ 3600.00
Total	\$1495.00	\$17940.00

Estimated Costs to be borne by Society

Management Fees (4% of Gross Operating Income)	\$ 100.00	\$ 1200.00
Repairs and Maintenance (4% of Gross Operating Income)	\$ 100.00	\$ 1200.00
Mortgage (4.5% on \$250,000.00)	\$ 1400.00	\$16800.00
Total	\$ 1600.00	\$19200.00

Income (meeting room rental @ 150.00 x 12)	\$ 150.00	\$ 1800.00
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Building costs + Society Cost - Profit (cost to 458)	\$ 2945.00	\$35340.00
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Cost of Current Lease @ 8472 Harvard Place	\$ 2038.40	\$24460.80
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Option #2**Purchase of own building @ \$400,000.00 with 2 office spaces to lease**

Purchase Price	\$400,000.00	(bldg. valued @ \$133.33/ft ²)
Down Payment	\$150,000.00	
Mortgage	\$250,000.00	

Estimated Monthly Building costs:**Building Costs (based on a 3000 ft² building housing Local 458 plus 2 offices to lease)**

	monthly	annually
Property tax	\$ 600.00	\$ 7200.00
Landscaping	\$ 150.00	\$ 1800.00
Utilities Sewer/water	\$ 35.00	\$ 420.00
Utilities Waste Disposal	\$ 50.00	\$ 600.00
Utilities Fortis Gas	\$ 150.00	\$ 1800.00
Utilities BC Hydro	\$ 250.00	\$ 3000.00
Custodial – 3 hours per week \$20.00 per	\$ 260.00	\$ 3120.00
Insurance	\$ 300.00	\$ 3600.00
Total	\$1795.00	\$21540.00

Estimated Costs to be borne by Society

Management Fees (4% of Gross Operating Income)	\$ 125.00	\$ 1500.00
Repairs and Maintenance (4% of Gross Operating Income)	\$ 125.00	\$ 1500.00
Mortgage (4.5% on \$250,000.00)	\$ 1400.00	\$16800.00
Total	\$ 1650.00	\$19800.00

Building costs + Society Costs **\$ 3445.00** **\$41340.00**

Income (meeting room rental @ 150.00 x 12)	- \$ 150.00	\$ 1800.00
Revenue from leases		
(400ft ² plus share of common area @ \$12.00/ft ²) x2	- \$ 1760.00*	\$21120.00
Cost to Local 458	\$ 1535.00	\$18420.00
Cost of Current Lease	\$ 2038.40	\$24460.80

Option #3**Purchase of own building @ \$500,000.00 with no office space to lease**

Purchase Price	\$500,000.00	(bldg. valued @ \$227.27/ft²)
Down Payment	\$150,000.00	
Mortgage	\$350,000.00	

Estimated Monthly Building costs:**Building Costs (based on a 2200 ft² building housing only Local 458)**

	monthly	annually
Property tax	\$ 400.00	\$ 4800.00
Landscaping	\$ 150.00	\$ 1800.00
Utilities Sewer/water	\$ 35.00	\$ 420.00
Utilities Waste Disposal	\$ 50.00	\$ 600.00
Utilities Fortis Gas	\$ 100.00	\$ 1200.00
Utilities BC Hydro	\$ 200.00	\$ 2400.00
Custodial – 3 hours per week \$20.00 per	\$ 260.00	\$ 3120.00
Insurance	\$ 300.00	\$ 3600.00
Total	\$1495.00	\$17940.00

Estimated Costs to be borne by Society

Management Fees (4% of Gross Operating Income)	\$ 100.00	\$ 1200.00
Repairs and Maintenance (4% of Gross Operating Income)	\$ 100.00	\$ 1200.00
Mortgage (4.5% on \$350,000.00)	\$ 1950.00	\$23400.00
Total	\$ 2150.00	\$26400.00

Building costs + Society Cost **\$ 3645.00** **\$43740.00**

Income (meeting room rental @ 150.00 x 12) - \$ 150.00 \$ 1800.00

Cost to Local 458 **\$ 3345.00** **\$40140.00**

Cost of Current Lease **\$ 2038.40** **\$24460.80**

Option #4**Purchase of own building @ \$500,000.00 with 2 office spaces to lease**

Purchase Price	\$500,000.00	(bldg. valued @ \$166.67/ft²)
Down Payment	\$150,000.00	
Mortgage	\$350,000.00	

Estimated Monthly Building costs:**Building Costs (based on a 3000 ft² building housing Local 458 plus 2 offices to lease)**

	monthly	annually
Property tax	\$ 600.00	\$ 7200.00
Landscaping	\$ 150.00	\$ 1800.00
Utilities Sewer/water	\$ 35.00	\$ 420.00
Utilities Waste Disposal	\$ 50.00	\$ 600.00
Utilities Fortis Gas	\$ 150.00	\$ 1800.00
Utilities BC Hydro	\$ 250.00	\$ 3000.00
Custodial – 3 hours per week \$20.00 per	\$ 260.00	\$ 3120.00
Insurance	\$ 300.00	\$ 3600.00
Total	\$1795.00	\$21540.00

Estimated Costs to be borne by Society

Management Fees (4% of Gross Operating Income)	\$ 125.00	\$ 1500.00
Repairs and Maintenance (4% of Gross Operating Income)	\$ 125.00	\$ 1500.00
Mortgage (4.5% on \$350,000.00)	\$ 1950.00	\$23400.00
Total	\$ 2200.00	\$26400.00

Building costs + Society Cost **\$ 3995.00** **\$47940.00**

Income (meeting room rental @ 150.00 x 12)	- \$ 150.00	\$ 1800.00
Revenue from leases		
(400ft ² plus share of common area @ \$12.00/ft ²) x2	<u>- \$ 1760.00</u>	<u>\$21122.00</u>
Cost to Local 458	\$ 2085.00	\$25020.00
Cost of Current Lease	\$ 2038.40	\$24460.80

Option #5**Construction of Own Building (458 Only)**

Commercial property costs in current market	\$25 to \$35/ft ²
Estimated cost to build	\$130/ft ²
7000 ft ² Property	
(3000ft ² building and 4000ft ² parking area)@ \$30.00 per	\$210,000.00
3000 ft ² Building @ \$130.00 per ft ² to build	<u>\$390,000.00</u>
Total cost to 458	\$600,000.00
Down Payment	\$150,000.00
Mortgage	\$450,000.00
Monthly Mortgage Payment	\$ 2,500.00
Monthly Building Costs	\$ 1,650.00
Less Lease and meeting room rental income	- \$ 1,910.00
Monthly Cost to Local	\$ 2,240.00
Cost of Current Lease	\$ 2038.40

Option # 6**Construction of Own Building (458 w/ 50/50 partner)**

Commercial property costs in current market	\$25 to \$35/ft ²
Estimated cost to build	\$130/ft ²

7000 ft ² Property (6000ft ² 2 story building and 4000ft ² parking area) @ \$30.00 per	\$210,000.00
6000 ft ² Building @ \$130.00 per ft ²	<u>\$780,000.00</u>
Total	\$990,000.00
Total cost to 458 (\$990,000.00/2)	\$495,000.00

Down Payment	\$150,000.00
Mortgage	\$345,000.00
Monthly Mortgage Payment	\$ 1,900.00
Monthly Building Costs	\$ 1,650.00
Less Lease income	- \$ 1,910.00
Monthly Cost to Local	\$ 1,640.00

Cost of Current Lease	\$ 2038.40
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Motions to be debated at Nov 7th 2012 Special Membership Meeting

Motion 1: that CUPE Local 458 strike a Building Purchase Committee comprised of the President, Vice President, Secretary/Treasurer and at least 2 members at large tasked with completing all necessary work needed to purchase our own building.

Motion 2: that the Local 458 Building Purchase Committee be given the authority to spend an amount up to \$10,000.00 for the purpose of:

- Completing studies and or inspections
- Obtaining legal assistance
- Obtaining the services of a certified professional accountant
- And any other related costs

associated with the purchase of a building that has been endorsed by the membership.

Motion 3: that the Local 458 Building Purchase Committee be given the authority to make a joint offer with CUPE Local 411 not to exceed \$ 750,000.00 (\$375,000.00 each) on a suitable building with appropriate subjects that will include approval by the CUPE Local 458 membership.