



THE CITY OF
NORTHFIELD
ESTD MINNESOTA 1855
COWS, COLLEGES & CONTENTMENT

Agenda



- Goals of NCRC
- Isolating the Variables
- Sustainable Financial Model
- Change Process

Goals of NCRC

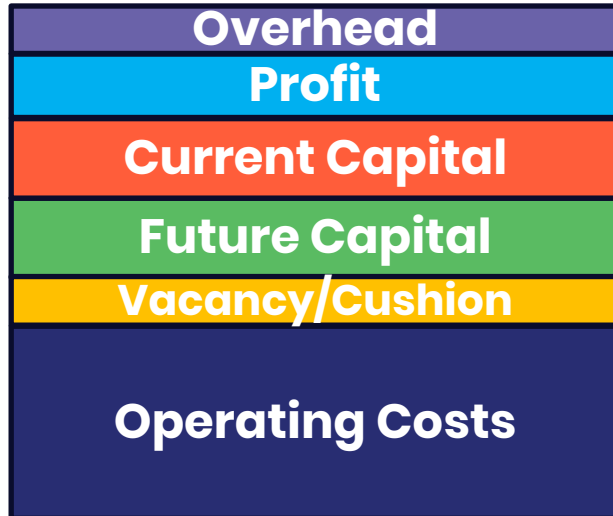


- NCRC serves an important role in the social infrastructure of Northfield and adds tremendous value to our city.
- Successful management of the NCRC facility includes:
 - Continued use of the building for **public services**
 - **Proactive maintenance** of the facility as a community asset
 - Predictable and transparent costs for both the City and the tenants of the building
- NCRC revenue sources (rents) should cover the costs of building

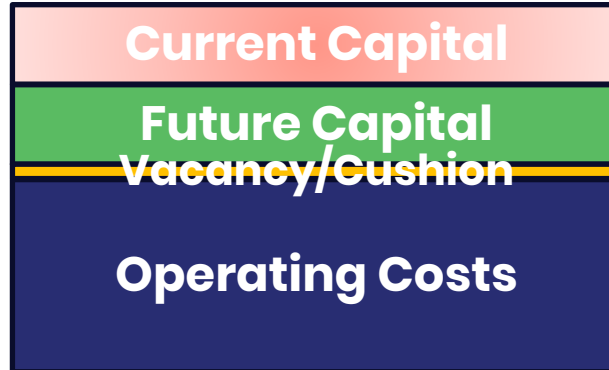
TL;DR: Clear Philosophy



Market



Proposed NCRC



Total facilities costs to be shared among tenants



Isolating the Variables



NCRC revenue amounts (rents) should cover the costs of building

Costs of the building:

1. Annual Operating

- a. General
- b. Wellness Center

2. Future Capital Needs

- a) General
- b) Wellness Center

3. Current Capital Needs

- a) General
- b) Wellness Center

Separate Discussion:

- 4. 50North Wellness subsidy
- 5. Other tenant subsidies

Sustainable Model Logic

(operating and future capital)



Annual Operating Costs + Annualized Capital Expenses = Total Facility Cost

Total Facility Cost =

- General
- Wellness Center

Total Facility Cost per square foot of building = Rent \$/SF for all tenants

- General

Total Facility Cost per square foot of building = Rent \$/SF additional for 50N

- Wellness Center

Sustainable Model Logic

(operating and future capital)



$$\begin{array}{rclcl} \text{Annual Operating Costs} & + & \text{Annualized Capital Expenses} & = & \text{Total Facility Cost} \\ \$581,950 & & \$115,100 & & \$697,050 \end{array}$$

Total Facility Cost = \$697,050

- General \$564,250
- Wellness Center \$132,800

Total Facility Cost per square foot of building = Rent \$/SF for all tenants

- General \$14.85/SF

Total Facility Cost per square foot of building = Rent \$/SF additional for 50N

- Wellness Center \$14.85+\$7.36/SF = \$22.21/SF

Sustainable Model Logic

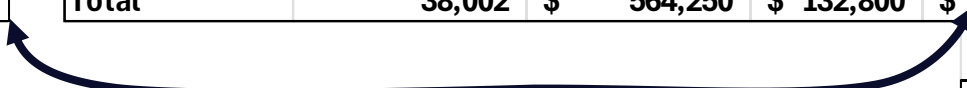
(operating and future capital)



| Costs/Expenses | |
|---------------------------------|---------------------|
| Operating Costs | |
| General Operating | \$ 478,950 |
| Wellness Center | \$ 103,000 |
| Total Operating | \$ 581,950 |
| 10 Year Capital Estimate | |
| General Capital | \$ 853,000 |
| Wellness Center | \$ 298,000 |
| Total Capital | \$ 1,151,000 |
| Years for capital | 10 |
| Total Annual Costs | |
| General | \$ 564,250 |
| Wellness Center | \$ 132,800 |
| Total Annual Costs | \$ 697,050 |

| Revenues/Sources | | | | | |
|------------------|---------------|------------------------|-------------------|----------------------|----------------------|
| Building Use | Total SF | Annual Cost Allocation | | | Cushion |
| | SF | General | Wellness | Rent/SF | 3% |
| CAC | 7,593 | \$ 112,740 | | \$ 14.85 | \$ 15.29 |
| HCI | 3,744 | \$ 55,591 | | \$ 14.85 | \$ 15.29 |
| 3 Rivers | 6,298 | \$ 93,512 | | \$ 14.85 | \$ 15.29 |
| United Way | 220 | \$ 3,267 | | \$ 14.85 | \$ 15.29 |
| Work Force | 149 | \$ 2,212 | | \$ 14.85 | \$ 15.29 |
| Rice County | 1,720 | \$ 25,538 | | \$ 14.85 | \$ 15.29 |
| Library Oasis | 250 | \$ 3,712 | | \$ 14.85 | \$ 15.29 |
| Fifty North | 18,028 | \$ 267,678 | \$ 132,800 | \$ 22.21 | \$ 22.88 |
| Total | 38,002 | \$ 564,250 | \$ 132,800 | \$ 697,050.00 | \$ 717,961.50 |

| Net Income | |
|-----------------|--------------|
| Annual Net Inco | \$ 20,911.50 |



Isolating the Variables



NCRC revenue amounts (rents) should cover the costs of building

Costs of the building:

- 1. Annual Operating**
 - a. General
 - b. Wellness Center
- 2. Future Capital Needs**
 - a) General
 - b) Wellness Center
- 3. Current Capital Needs**
 - a) General
 - b) Wellness Center

Separate Discussion:

- 4. 50North Wellness subsidy**
- 5. Other tenant subsidies**

#3 Current Capital Needs



Because of past deferred maintenance, there are significant current capital needs that need to be completed now.

| NCRC | | | | | | | | |
|--|---------------|---|----------|----------------|----------------|----------------|------------------|------------------|
| Boiler replacement | NCRC 2027-01 | 1 | 53,000 | | | | 53,000 | |
| Chiller replacement | NCRC 2025-01 | 1 | 188,000 | | | | 188,000 | |
| Complete Solar buildout | NCRC-2029-001 | 4 | | | | 950,000 | 950,000 | |
| Exterior Painting | NCRC 2024-01 | 3 | 10,000 | | | | 10,000 | |
| FiftyNorth Locker room updates | NCRC 2024-02 | 1 | 50,000 | | | | 50,000 | |
| Install access control and security system | NCRC-2030-001 | 2 | | | | 150,000 | 150,000 | |
| NCRC-Air handling units replacement | NCRC-2024-02 | 1 | 148,000 | 171,000 | 154,000 | 146,000 | 619,000 | |
| NCRC public restroom refurbishments | NCRC-2025-06 | 1 | 110,000 | | | | 110,000 | |
| Patch and Paint interior | NCRC-2026-002 | 2 | 75,000 | | | | 75,000 | |
| Polish terrazzo flooring | NCRC-2025-04 | 3 | 75,000 | | | | 75,000 | |
| Replace acoustic ceiling tiles | NCRC-2026-003 | 2 | 75,000 | | | | 75,000 | |
| Replace FiftyNorth entry and lobby carpet | NCRC-2025-03 | 3 | 21,000 | | | | 21,000 | |
| Replace Pool Deck | NCRC-2525-02 | 3 | 68,000 | | | | 68,000 | |
| Replace VCT tile | NCRC-2024-05 | 2 | 65,000 | | | | 65,000 | |
| NCRC Total | | | 0 | 938,000 | 171,000 | 154,000 | 1,246,000 | 2,509,000 |

Making some adjustments for scope of work and financing costs = **\$1,950,000** in current capital needs

#3 Current Capital Logic



Current Capital Needs \$1,950,000

- General \$1,593,350 = additional \$4.32/SF for all tenants for 10 years
- Wellness Center \$356,650 = additional \$2.04/SF for 50N for 10 years

Efforts by City to reduce burden on tenants:

- State Bonding = reduction from \$4.32/SF to \$2.21/SF (\$2.04 to \$1.05/SF for 50N)
- Local Sales Tax = reduction from \$4.32/SF to \$0.22/SF (\$2.04 to \$0.11/SF for 50N)
- \$50k grants x2 = \$100k for energy efficiency planning and implementation

#3 Current Capital Scenarios



| | | Current Capital Scenarios | | | | | |
|--------------------------------|---------|---------------------------|-----------|--|-------------------------|---------------------------|--|
| Tenant | Sq. Ft. | 2027 Current | Projected | Projected + Tenant only supplement | Proj + State Bonding | Proj + Local Sales Tax | |
| All Other NCRC Tenants | 19,974 | \$ 12.72 | \$ 15.29 | \$ 19.61 | \$ 17.51 | \$ 15.51 | |
| Fifty North (no subsidy) | 18,028 | \$ 16.90 | \$ 22.88 | \$ 29.24 | \$ 26.14 | \$ 23.21 | |
| Fifty North (subsidy included) | 18,028 | \$ 13.61 | \$ 19.59 | \$ 25.95 | \$ 22.85 | \$ 19.92 | |

Sustainable Model Logic

(operating and future capital)



Market

Proposed NCRC

Total facilities costs to be shared among tenants

Overhead

Profit

Current Capital

Future Capital

Vacancy/Cushion

Operating Costs

Current Capital

Future Capital

Vacancy/Cushion

Operating Costs

Total Facilities Cost

Agenda



- Goals of NCRC
- Isolating the Variables
- Sustainable Financial Model
- **Change Process**

Change Process



| Building Use | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 |
|------------------------------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|
| Community Action Center | Yellow | Green | Green | Green | Green | Green | Green | Green | Green | Green |
| Healthy Community Initiative | Yellow | Yellow | Green | Green | Green | Green | Green | Green | Green | Green |
| 3 Rivers | Yellow | Yellow | Green | Green | Green | Green | Green | Green | Green | Green |
| United Way | Yellow | Yellow | Green | Green | Green | Green | Green | Green | Green | Green |
| Work Force | Yellow | Yellow | Green | Green | Green | Green | Green | Green | Green | Green |
| Rice County | Yellow | Yellow | Yellow | Yellow | Yellow | Green | Green | Green | Green | Green |
| Library Oasis | White | Blue | Blue | Blue | Blue | Blue | Blue | Blue | Blue | Blue |
| Fifty North | Yellow | Green | Green | Green | Green | Green | Green | Green | Green | Green |

- **Yellow** cells represent contractual leases
- **Green** cells represent new leases to represent sustainable financial model
- **Blue** cells represent a City levy funded lease as the Oasis is a Library operation

NCRC Tenant Feedback



- Clarity, transparency, and predictability appreciated
- Transaction vs partnership narrative
- Some tenants have invested significantly in the NCRC
- NCRC CIP questions
- Vacancy concerns
- Market rate comparables feel problematic
- 50N specific feasibility concerns

Feedback/Questions



- Is this “cost-neutral” sustainable financial model in line with City Council’s budget priorities?
- What tenant program information/outcomes would be helpful or important for City Council?
- Other general questions or feedback