

Real Estate Strategies

AACUC Annual Conference

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African-American Credit Union Coalition
Leadership | Internship | Mentorship



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Highlights

- The numbers
- Lease Issues
 - Renew/Recast
 - Renovate
 - Relocate
- Due diligence and Closing Checklists (Purchase)
- Sale and leaseback

Branch Bank Real Estate Trends

- Site sizes are getting larger mainly due to banks and credit unions adding more drive-thru lanes, typically requiring 1.5 to 2 acres.
- Banks and credit unions are competing for the same size sites as some of the drug store chains and Wa-Wa's. The drug stores and gas convenience stores have definitely driven outparcel prices up.
- Banks and credit unions are paying more for sites than they did a few years ago.
- Banks are moving away from neighborhood locations and gravitating to more regional locations.

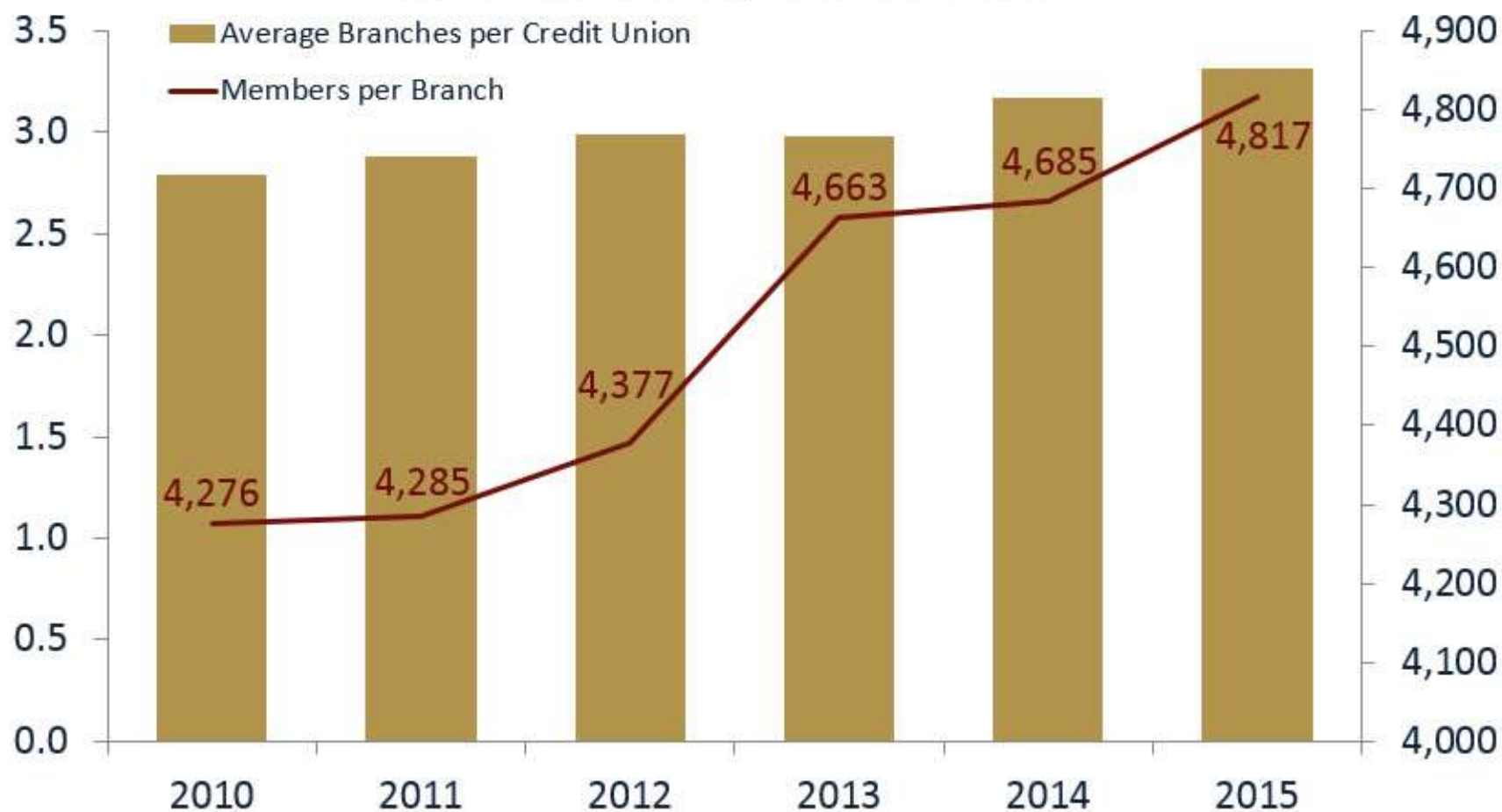
Land and Building & Other FA Investment – Net New Branches
Data as of March 31 | All U.S. Credit Unions over \$50M in Assets



Source: Callahan's Peer-to-Peer Analytics



Average Number of Branches per Credit Union – Members per Branch Data as of March 31 | All U.S. Credit Unions



Source: Callahan's Peer-to-Peer Analytics



Average Land and Building Investment per Credit Union
Data as of March 31 | All U.S. Credit Unions over \$50M in Assets



Source: Callahan's Peer-to-Peer Analytics



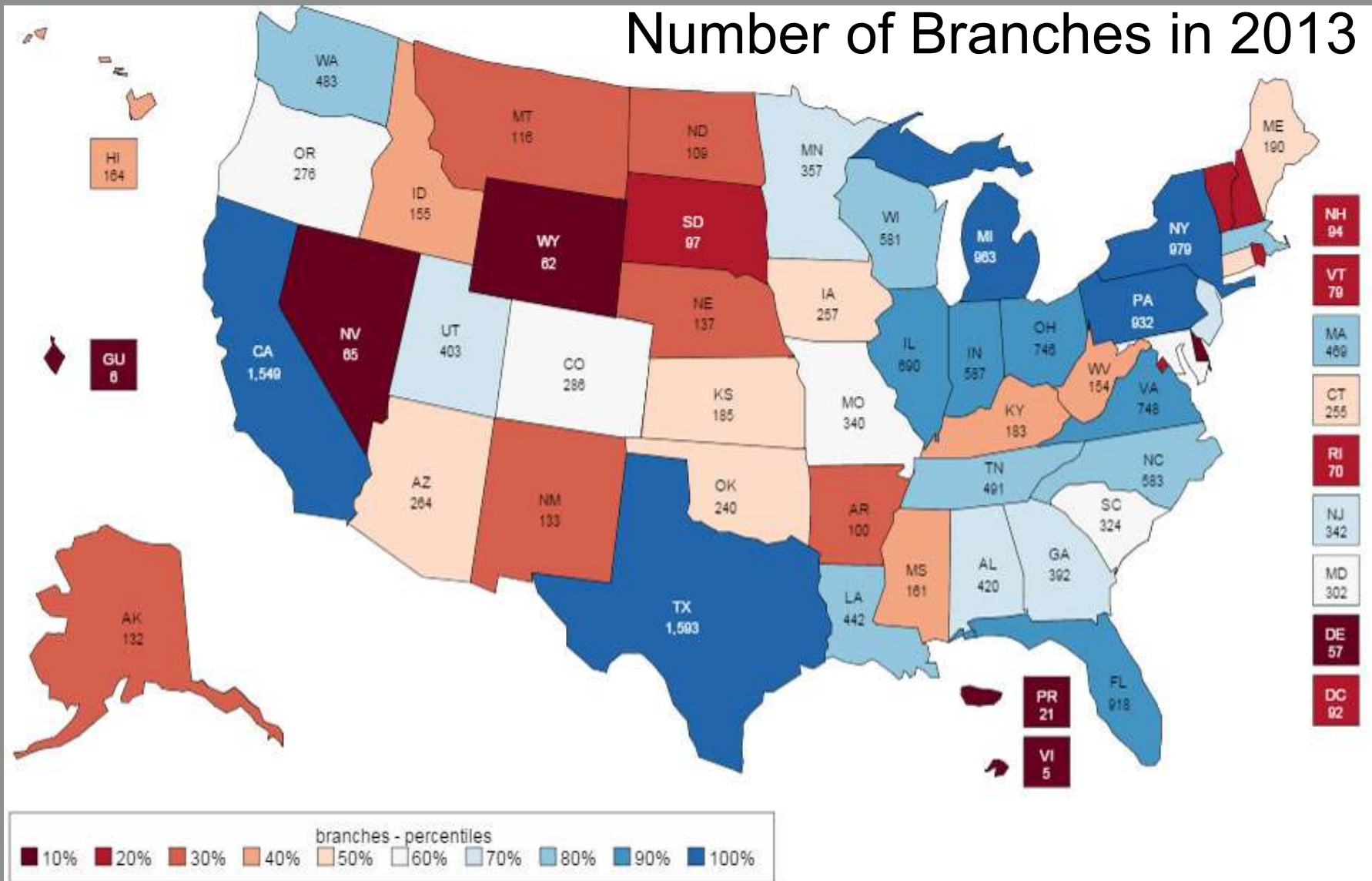
Year-Over-Year Growth in Land and Building Investment
Data as of March 31 | All U.S. Credit Unions over \$50M in Assets



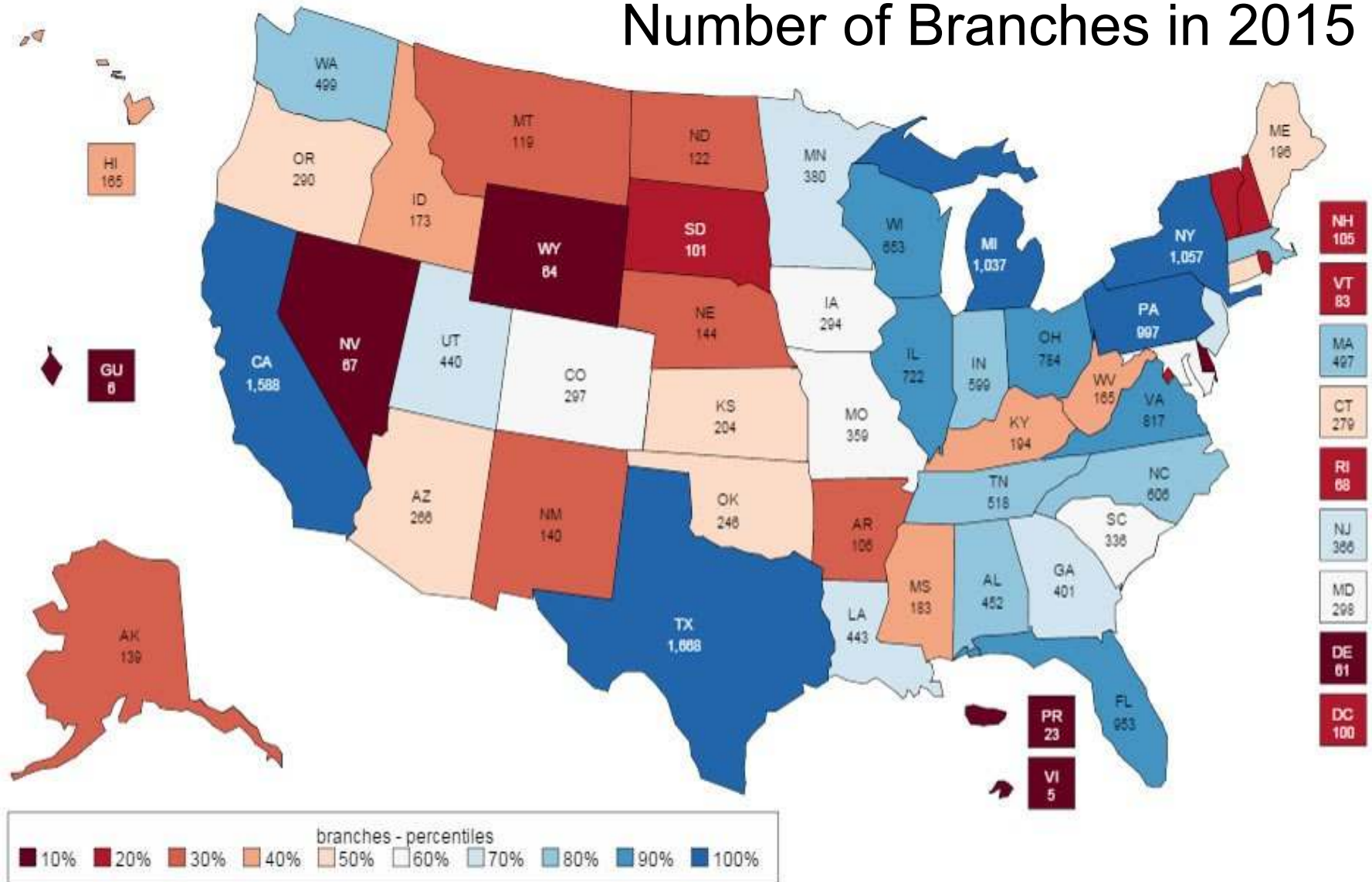
Source: Callahan's Peer-to-Peer Analytics



Number of Branches in 2013



Number of Branches in 2015



Source: Callahan & Associates

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Lease Review

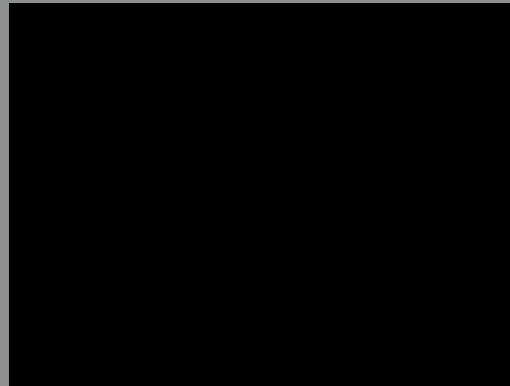
Recast

Renew

RELOCATE

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Office Market Statistics	Total Space (SF)	Total Vacancy (SF)	Vacancy Rate	Avg. Rental Rate (\$psf)	Class of Building
Greater Fairfax County, VA	33,376,010	6,118,488	18.3%	\$32.36	A
	25,065,636	3,360,852	13.4%	\$25.86	B
Central Baltimore County & Downtown Baltimore City	16,541,168	1,837,455	11.1%	\$22.53	A
	21,657,204	2,880,907	13.3%	\$19.21	B



LOCATION

LOCATION

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Decisions, Decisions, Decisions

New Premises

- Lease
- Purchase

Current Premises

- Lease/Recast/Renovate
- Sale
- Sale and Leaseback
- Credit Union Financing

Main Office
Branches



MAX CREDIT UNION

3,000 SF Branch in
Wetumpka, AL

Through Experience Mapping, we developed a customized plan to create a human-centric retail experience. The result aligns strategy with design, form with function and retail with digital technology.

The Wetumpka branch is the first manifestation of this plan. More locations are in process.

NEWGROUND®

Newground.com | 636.898.8100



ASCEND CREDIT UNION

5,274 SF Flagship Branch in Nashville, TN

With a longstanding partnership, Ascend sought out NewGround's expertise with goal of expanding into the Nashville market.

NewGround evaluated and refreshed their retail branding and prototype design, resulting in the Nashville flagship branch. This location seamlessly combines design, retail and digital elements to elevate Ascend's brand and customer experience.

NEWGROUND®

Newground.com | 636-898-8100



OKLAHOMA EMPLOYEES CREDIT UNION

40,000 SF HQ/Ops
Center in
Oklahoma City, OK

A centralized
location to house
operations,
administrative
offices, and a
state-of-the-art
flagship branch.

Creating a
physical
extension of the
OECU brand and
creating a fun
atmosphere to
help attract and
retain employees.

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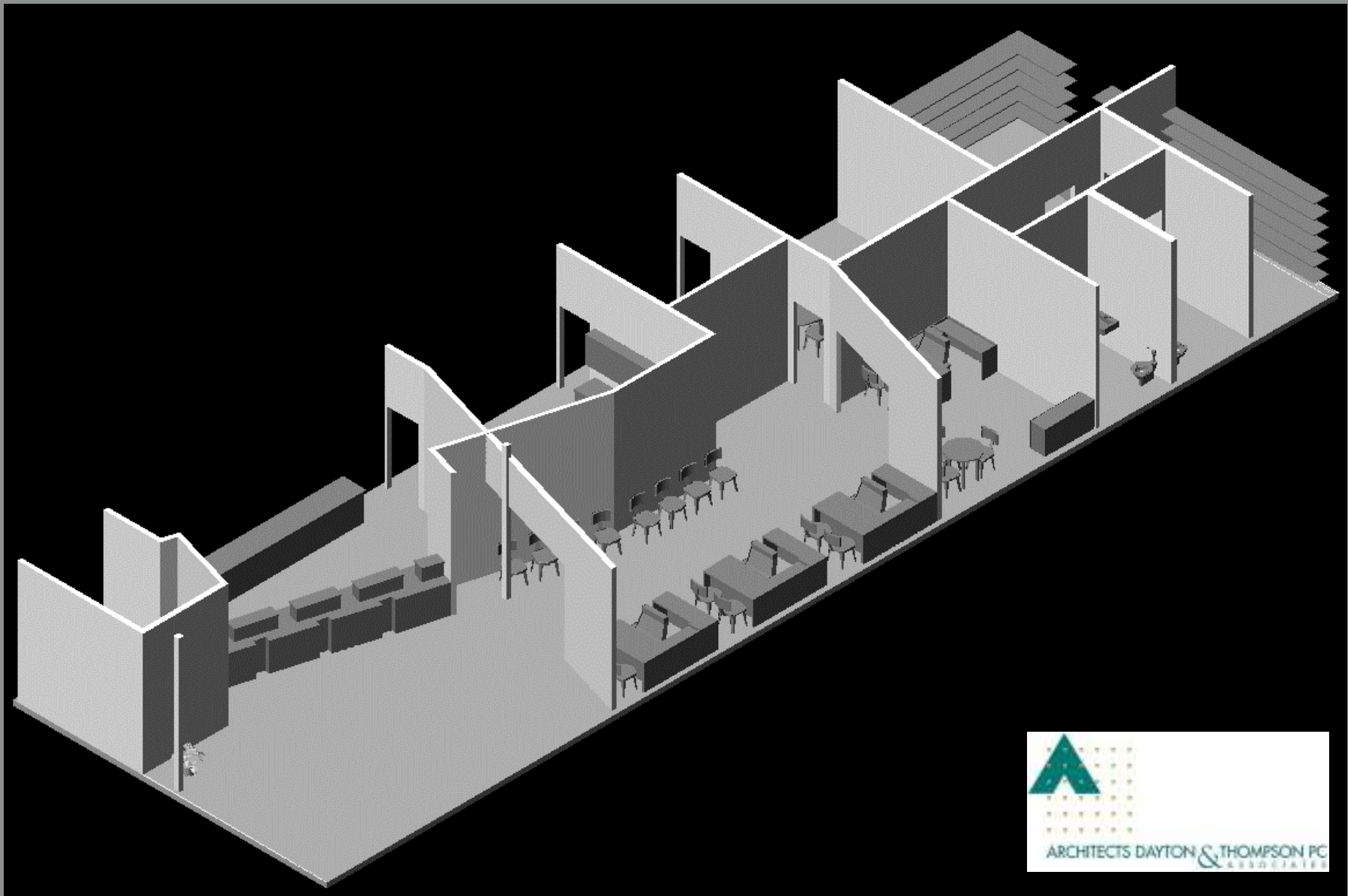


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① LOBBY PERSPECTIVE
SCALE: NOT TO SCALE


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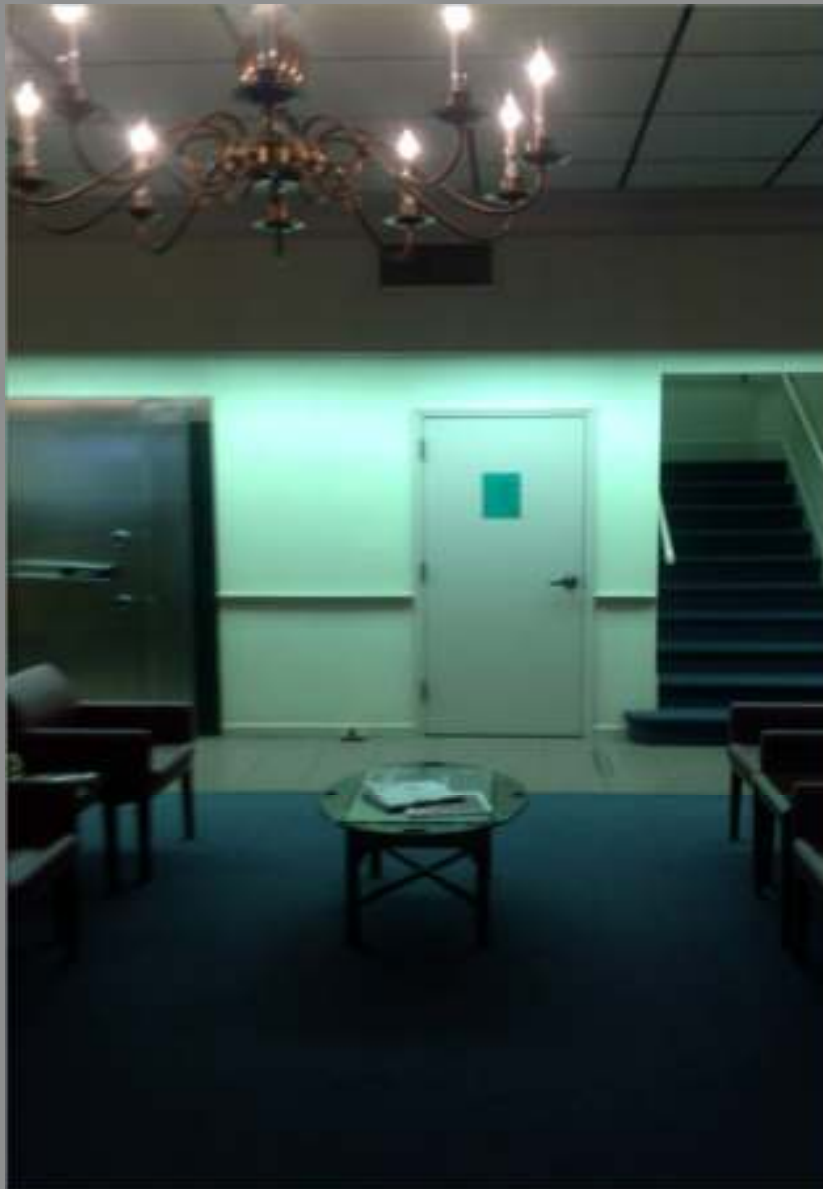

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Due Diligence Checklist

1. Confirmation of Receipt of Earnest Money
2. Delivery to Purchaser: Leases, Contractual Agreements, Service Contracts, list of personal/intangible items that convey, and copies of all tests, files, titles, etc.
3. Analyze local and state taxes
4. **Phase I Environmental Report**
5. Phase II Underground Storage Tank
6. Radon Test
7. Lease Review
8. Contract Specifications
9. Lease Terminations

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Due Diligence Checklist

- 10. Service Contracts
- 11. Review Service & Repair Records
- 12. Review As-Built Plans & Specifications
- 13. Personal Property (lists of inclusions & exclusions)
- 14. Determine if Seller will Remove Personal Items from Property
- 15. Review Warranties & Guaranties
- 16. Analyze Operating Statements and Other Operating and Financial Matters
- 17. Fire Safety Examination**
- 18. Test Water for Lead**

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Due Diligence Checklist

- 19. Inspect Structural Integrity of Building, Roofing, etc.
- 20. Inspect Mechanical/Electrical/Plumbing/Elevators
- 21. Inspections
- 22. Report on conformance with Americans with Disabilities Act
- 23. Insurance
- 24. Seller to Provide Purchaser a Commitment for Title Insurance
- 25. Title Exception Letter
- 26. Title
- 27. Use Requirements – Review Zoning**

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Due Diligence Checklist

28. Signage – Review Zoning

29. Parking

30. Review Land Use Plans

31. Height Compliance of Building

32. Review Regulatory & Tax Notices

33. Review Tax Assessment Appeals, if any

34. Review Use & Occupancy Permit, Certificates &
Licenses for Tenants & Building

35. Termite Inspection

36. Review Purchaser's Bylaws

37. Review Purchaser's Other Organizational Documents

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Due Diligence Checklist

38. Base Building Construction Estimates

39. Evaluate Costs & Expenses

40. Appraisal

41. Government Notices Regarding any Violations

42. NCUA Regulatory Review

43. Review of Credit Union Board Minutes and Resolutions

44. Certificate of Occupancy for Building and Tenants

45. Survey

46. Utility Agreements

47. Warranties and Maintenance Agreements

48. Building Engineers Log/Work Orders

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Due Diligence Checklist

49. Contact Information for Subcontractors and Vendors

50. Seller Lease Back/Preparation of Lease

Closing Checklist

1. Notice of Intent to Proceed
2. Lease
3. Termite Inspection Report
4. Agreements with Tenants
5. All existing Seller contracts to be Voided
6. Notice from Seller of Intent to Remove all Personal Items
- 7. General Warranty Deed**
8. Wire Transfer Instructions
9. Draft Settlement Statement

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Closing Checklist

- 10. Transfer of Utilities
- 11. CUMIS or other insurance companies notification and purchase of policy
- 12. Good Standing Certificate
- 13. Assignment and/or Termination of Service Contracts**
- 14. Title Issues
- 15. State of Adjustments and Prorations/HUD
- 16. Payment of Purchase Price
- 17. Seller's Affidavit Reaffirming Representations and Warranties

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Closing Checklist

- 18. Buyer's Affidavit Reaffirming Representations and Warranties
- 19. Bill of Sale
- 20. Assignments
- 21. Title Company Affidavits
- 22. Execute FIRPTA Affidavit
- 23. Execute New Lease
- 24. Proration of Real Estate Taxes and Public Charges
- 25. Proration of Rents
- 26. Keys

Closing Checklist

- 27. Closing Certificate Seller; Purchaser
- 28. Seller's Certificate of Incumbency
- 29. Official Resolution to Purchase Building**
- 30. Closing Instructions Letter
- 31. Tenant Lease
- 32. Proof of Insurance from Tenant

Hypothetical Sale - Leaseback Analysis of an 18,000 SF Credit Union Owned HQ Facility



Credit Union HQT Building - 123 Main St

Building Information

Building Size (Sq Ft)	18,000
Lot Size	.21 acres
Floors	3
Year Built	1988
Parking Spaces	34
Current Tax Assessment (2014)	\$4,913,500
Credit Union Occpied Space (Sq Ft)	18,000
Est. OPX & RE Taxes *	\$9.50
Credit Union Leaseback Rental Rate	\$23.00
Annual Net Operating Income (NOI)	\$414,000.00

Benefits of a Sale-Leaseback

- A Sale-Leaseback of a Credit Union owned HQ facility may be beneficial to help free up capital for increased lending capacity and / or expansion of operations and branch facilities
- Takes facilities management responsibilities away from the Credit Union. Also not responsible for any future interior tenant improvements or major capital improvements (Roof, HVAC replacement, common area renovations) etc...
- Possibility of "Right-sizing" if the current building is larger than what is required by the CU

High Value (6.5% Cap)

Annual NOI	\$414,000.00
Cap Rate	0.065
Sales Price	\$6,369,230.77
Total Rentable SF	18,000
Sales Price (PSF)	\$353.85

Mid Value (7.0% Cap)

Annual NOI	\$414,000.00
Cap Rate	0.07
Sales Price	\$5,914,285.71
Total Rentable Sq Ft	18,000
Sales Price (Psf)	\$328.57

Low Value (7.50% Cap)

Annual NOI	\$414,000.00
Cap Rate	0.075
Sales Price	\$5,520,000.00
Total Rentable Sq Ft	18,000
Sales Price (Psf)	\$306.67

Net Sales Proceeds

Sales Price	\$6,369,230.77
Sales Commission (5%)	(\$318,461.54)
Est. Closing Costs	(\$43,947.69)
Total Net Sale Proceeds	\$6,006,821.54

Net Sales Proceeds

Sales Price	\$5,914,285.71
Sales Commission (5%)	(\$295,714.29)
Closing Costs (1.5%)	(\$40,808.57)
Total Net Sale Proceeds	\$5,577,762.86

Net Sales Proceeds

Sales Price	\$5,520,000.00
Sales Commission (5%)	(\$276,000.00)
Closing Costs (1.5%)	(\$38,088.00)
Total Net Sale Proceeds	\$5,205,912.00

Takeaways

- Fixed Assets - very costly endeavors
- Allocate enough time and then double your timetable
- Establish a Facility Committee
- Hire experts
- Spend your member's money wisely



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