

February, 2001  
Indiana CPA Society  
Office Space Case Study

The Indiana CPA Society (the Society) is a professional association of CPAs in Indiana. The Society has approximately 7,500 members statewide whose occupations range from strategic business advisors to financial consultants to professors to members of corporate management.

The Society provides many valuable benefits to its members. It keeps its members informed of current and anticipated changes in legislative and environmental issues affecting CPAs. It promotes sharing of information through educational and networking opportunities. In addition, the Society serves as a united voice of Indiana CPAs to governmental bodies by introducing and sponsoring legislation that affects the CPA profession and by promoting positive images of CPAs to the general public and other entities.

The Society is a 501©6 organization for tax purposes. Its fiscal year ends March 31 and has an annual budget of about \$3.8 million.

### **Background Information**

The Society currently leases 13,441 square feet of office space at \$12 per square foot. Approximately 7,840 square feet are used for staff offices and common space, 4,976 square feet are meeting rooms, and 625 square feet are used for a computer lab training area. The lease on this office space expires March 2003.

The Board of Directors of the Society formed an Office Space Project Team to evaluate alternatives and recommend the best course of action for occupancy needs in the future based on the various changing events taking place. This case requires the student project team to take on the same task of evaluating alternatives and recommending the best course of action.

The project team's guidelines set by the board are:

- A. If property is purchased it should be in Indianapolis along the I 69 from 116<sup>th</sup> Street to I 465 or near I 465 from I 69 around the north side to West 71<sup>st</sup> Street
- B. Keep the total cost of the project between \$5.5 - \$6.5 million.
- C. Attract other people that have more experience in tax, legal, and financing matters to assist in the decision making process.

- D. Request Society staff to inquire with other professional associations about their interest in moving into a building owned or leased by the Society.
- E. Upon final review of items A-D consider the best option for the Society.  
(lease, build, buy)

**Related issues:**

If owning a building is considered, liability and legal issues must be evaluated as part of alternative ownership issues. Should the Society create a for-profit subsidiary?

Class A lease space is currently costing \$22 to \$24 per square foot. Expense pass-throughs, in all probability, would increase the effective leasing cost by another \$3 to \$3.75 per square foot by the end of the new lease term.

**Required:**

- Lease vs. Buy calculation
- Lease vs. Buy pro/con analysis
- Buy vs. Build analysis
- If purchase, buy /build is the recommendation, what is the best ownership alternative considering tax issues, space control, image enhancement, and member acceptance?
- Recommendation of an action plan for the Society to take relative to its future office space needs.