

LOBO DEVELOPMENT

PARTNERSHIP + INVESTMENT + COMMUNITY

Minutes of the March 2, 2018 Meeting of the Board of Directors

Board Members Present: Marron Lee, *Chair*; Chris Vallejos, *Secretary/Treasurer*; Louis Abruzzo; Maria Griego-Raby; David W. Harris; Eddie Nunez; Dr. Garnett Stokes

Board Members Absent: Stephen Ciepiela, *Vice Chair*; Robert Doughty, III; Dr. Paul Roth

Also present: Tom Neale, Kim Murphy, Harry Relkin, Jessica Dyer, Steve Carr, Keelie Garcia

MINUTES

I. Call to Order

- a. Marron Lee, Chair, called the meeting to order at 9:08 am in the UNM Science & Technology Park Executive Conference Room at 851 University Blvd. SE, Suite 201, Albuquerque, NM.
- b. Chair Lee established that a quorum was present.

II. Approval of 07/13/17 Minutes

- a. Draft Minutes of the July 13, 2017 meeting were presented. A motion to approve the 07/13/17 Minutes as presented was made by Louis Abruzzo with a second by Chris Vallejos. All agreed.
- b. **RESOLVED: The Board unanimously approved the 07/13/17 Meeting Minutes as presented.**

III. Financial Reports

a. FY 2017-18 1st and 2nd Quarter Financials

- i. Chris Vallejos reported on the 1st and 2nd Quarter Financials for fiscal year 2018. Included in the Board packets were Balance Sheets and Profit & Loss Statements. He reported that the overall net income for the six months was \$41,666. Cash was at \$3,559,595 between two accounts, Compass Bank and UNM.
- ii. No questions or comments.

b. Update on final 2016-17 Audit

- i. Chris Vallejos reported that the audit for fiscal year 2016-17 was clean with no findings and no previous findings. Audit was completed by Moss-Adams. This audit was included with UNM's audit.
- ii. No questions or comments.

c. Update on final Form 990

- i. Chris Vallejos explained that one of the requirements of a 501(c)(3) corporation is to file a Form 990 with the IRS due on December 31 of each year. The Form 990 has been filed and accepted by the IRS for 2016-17. The document is held at LDC's office for public inspection.
- ii. No questions or comments.

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- IV. LDC Loan to Regents for Tenant Improvements to AML-Sandia National Labs
- a. Tom Neale reported that he provided a written proposal to the Board for a loan from Lobo Development Corporation to the Regents to assist with tenant improvement work for Sandia National Labs. Sandia National Labs occupies about 30,000 sq. ft. in the Advanced Material Lab at 1001 University within the UNM Science and Technology Park. The building is approximately 30 years old. Many of the building systems are aged and the level of science that Sandia National Labs has undertaken in the last decade has taxed the building. The building is at the point where many of the mechanical systems and controls need to be upgraded.
 - b. He is requesting a loan for \$1,000,000 amortized over ten years at 3.0%, which is approximately \$115,000 per year in annual debt service. The debt service will be paid through energy savings as a result of the improvements that will be made to the building, in addition to the rental payments that Sandia National Labs will make to the University. Tom is currently in the process of negotiating a new ten-year agreement with them and a critical piece of that negotiation is solving some of the issues with the building so they can continue to function.
 - c. Tom explained that when the building was designed it was as a light lab with 21 fume hoods. Right now, there are 40 fume hoods, so they really tax the systems on the buildings. There is air pressure issues in the labs which creates some life-safety problems. Also, with the antiquated controls for the building, the air evacuation is running 24/7 while they are occupying the building, so it is very inefficient in terms of its utility consumption. It will be a full upgrade of all the HVAC systems and the controls, which equates to approximately \$60,000 per year in energy savings.
 - d. Louis Abruzzo asked if there are any related components that need upgrading or repairing, such as a new roof, etc. Tom replied that the building needs other capital investment, but they have tried to make this about solving the needs of Sandia National Labs. As other issues come up, they will have to be dealt with at that time.
 - e. He also mentioned that the lease will be ten years to coincide with the ten-year loan.
 - f. No further questions or comments.
 - g. A motion to approve the Lobo Development Corporation Loan to the UNM Regents for Tenant Improvements to AML-Sandia National Labs was made by David Harris with a second by Maria Griego-Raby. All agreed.
 - h. **RESOLVED: The Board unanimously approved the Lobo Development Corporation Loan to the UNM Regents for Tenant Improvements to AML-Sandia National Labs.**
- V. History of LDC Transactions – Successes and Challenges
- a. Chris Vallejos explained that Tom Neale, Kim Murphy, and Harry Relkin will provide an outline of what Lobo Development has done in the past, the history of the corporation, the purpose of the corporation, some of the successes and challenges, and then they will ask the Board for direction

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on how LDC can continue to keep the momentum going and try to develop the lands on South Campus.

- b. Tom Neale introduced Kim Murphy as the former Director of UNM Real Estate for 23 years. Subsequent to his retirement, he has really helped with Lobo Development to try keep some of the activity and projects going and is a critical member of the team. Harry Relkin is also a member of the team and is a consultant he works with extensively on land development. Harry has a very impressive background with the State Land Office and development at Mesa del Sol. Tom further explained that Kim, Steve Beffort, who is not with us anymore, and David Harris were very critical in the formation of Lobo Development Corporation in 2008. Tom asked Kim to provide some of the history to the Board. Tom also mentioned that many of the great successes that LDC had were under Kim's leadership.
- c. Kim Murphy thanked Tom Neale for the introduction. Kim began by explaining that Lobo Development Corporation is a Research Park Corporation. An Act was created in the late-80s in New Mexico that was amended in 2007. It specifically allows for institutions to create Research Park Corporations as separate nonprofits. The Act allows the University to engage in more business-like activity such as commercial development, energy utility areas, and hospital functions. In 2007, there was an amendment to the Act that allowed more focus on commercial development. Prior to that, it was focused on research park and technology commercialization. In 2008, the University Board of Regents and Lobo Development Corporation Board entered into a Memorandum of Understanding regarding that relationship. The Act itself, because of the commercial development aspect that was added and the economic development focus, was intended to foster economic development initiatives within the University and the State. Powers of the corporations are very broad; it allows these Research Park Corporations and the University, through its Board of Regents and Administration, to create very appropriate solutions to problems. The prior agenda item is a perfect example of that. It allows business-like arrangements between the Regents and corporations. The corporations are exempt from State personnel and procurement regulations, yet they are covered by State Risk Management. Again, it allows the institution and corporations to transfer assets, make loans, acquire real and personal property, and all of the other things you would expect the corporation to do in conjunction with the institution. The Memorandum of Agreement sets forth the purpose of Lobo Development Corporation which is to manage and develop University real property and to allocate those net revenues from Lobo Development back to the institution for institutional purposes. The MOA sets forth a very structured arrangement by which projects are conceptualized either as requested by the Board of Regents or as initiated by Lobo Development Corporation. It results in a proposal that is approved by both Boards that sets out the intent of the development activity, how it will be accomplished, the anticipated benefits, economics, etc. Once that is done, it allows Lobo

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Development to revoke or execute those projects according to the proposal, then bring back necessary agreements to the Board of Regents.

- d. Kim reviewed past projects according to the handout he provided to the Board.
- e. Kim reviewed "lessons learned" according to the handout he provided to the Board.
- f. The Board thanked Kim for his presentation.

Executive Session

1. Chair Lee requested a motion to close the meeting and proceed in Executive Session. Motion made by David Harris with a second by Louis Abruzzo. All in favor. Meeting was closed at 9:55 am.
2. Discussion and determination, where appropriate of potential purchase, acquisition or disposal of real property pursuant to Section 10-15-1H(8), NMSA (1978).
3. Discussion and determination, where appropriate, of limited personnel matters pursuant to Section 10-15-1.H(2), NMSA (1978).
4. Chair Lee requested a motion to reopen the meeting. Maria Griego-Raby made a motion to reopen the meeting with a second by Louis Abruzzo. All in favor. Meeting was reopened at 10:40 am.

Certification that only those matters described in Item 2 and 3 above were discussed in executive session and, if necessary, ratification of actions, if any, taken in executive session.

VI. Action Items from Executive Session, if any

- a. None

VII. Next meeting

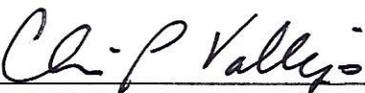
- a. Chair Lee requested a meeting for March 23 at 9:00 am. All agreed.

VIII. Adjournment

- a. Meeting adjourned by Chair Lee at 10:43 am.

Minutes prepared from recording by Keelie Garcia.

Approved by Board of Directors: March 23, 2018



Chris Vallejos, Secretary/Treasurer

Lobo Development Corporation Past & Present

1. Organization

- A. Authorized under University Research Park and Economic Development Act [21-28-1 et seq. NMSA 1978]
 - University Research Park Act- 1989
 - Economic Development- 2007
- B. Incorporated under New Mexico Nonprofit Corporation Act on October 4, 2007
- C. Corporation By-Laws approved October 6, 2007
- D. Regents-Lobo Development Memorandum of Agreement executed August 12, 2008

2. University Research Park and Economic Development Act

- A. Purpose
 - Promote public welfare & prosperity of the people of the State
 - Foster economic development
 - Forge links between New Mexico educational institutions and business, industry & government
- B. Powers
 - Exempt from State Personnel & Procurement Regulations
 - Covered under State Risk Management
 - Ability to transfer funds, facilities and real property between the Regents and the Corporation
 - Authority to acquire, own, manage & develop real and personal property
 - Can enter into contracts, incur liabilities and borrow money

3. Regents-Lobo Development Corporation Memorandum of Agreement

- A. Purpose: To provide real estate management and development services to and in support of the University, which will:
 - Relieve the university of the responsibility to manage and develop University-owned real estate in a commercially-reasonable manner and to maximize the University's return from these assets
 - Provide net revenues to the University for the support of the teaching, research and service mission of the University
 - Create learning opportunities for students in this development activity
- B. General Function: To manage its business activities in a manner which provides the

greatest net benefit to LDS' operations on behalf of the University

- Plan, direct and coordinate its business activities in accordance with a mutually agreed upon development proposal between LDC and the University, setting forth:
 - Conceptual terms of a real estate development or construction project
 - Project location
 - Anticipated project costs
 - Funding sources and projected revenue
- Following approval of development proposal by the LDC Board and the Regents, a development agreement will be executed between the parties
 - LDC as developer
 - Third-party developer

4. LDC Mission

Lobo Development Corporation advances planning, development and management of real property and facilities for the University through new models of engagement, utilizing business focused decision-making within a public educational environment, creating alternative funding sources and developing public/private partnerships to enhance UNM's competitiveness, sustainability and long-term value resulting in improvement to campus and community quality-of-life.

5. Major LDC Projects

A. Student Housing Partnership (2007-2012)

- UNM Housing Master Plan- April 2007
- Public-private Partnership RFQ- September 2008
- Public-private Partnership RFP- January 2009
- ACC Selection- March 2009
- UNM-ACC Master Agreement- September 2009
- ACC Strategic Housing Plan- December 2010
- Lobo Village Concept Approval- January 2010
 - Upper division students
 - 864 beds
 - Project cost- \$41.6 million
- Lobo Village Ground Lease- May 2010
- Lobo Village Completion- August 2011
 - Current Annual Rent: \$357,000
 - Total Rent (2011-2018): \$2,480,000
- Casa del Rio Concept Approval: February 2011
 - Freshmen & lower division students

- 1027 beds
- Project Cost- \$34.7 million
- Casa del Rio Ground Lease- May 2011
- Casa del Rio Completion- August 2012
 - Current Annual Rent: \$508,000
 - Total Rent (2012-2018): \$3,080,000

B. Sandia Foundation Buyout- Privately Financed UNM Buildings (2012-2013)

- Sandia Foundation, as requested by UNM, built three (3) buildings for use by UNM on a lease-purchase arrangement
 - Leases date from 2006 to 2010
 - 10 Year lease terms
 - Pre-buyout annual rent obligation (combined): \$2,130,000
- UNM agreed to loan LDC funds to accomplish Sandia Foundation buyout
 - Acquisition price (combined): \$26.4 million
 - Year 1 cost savings to UNM: \$793,000
 - Total cost savings (loan term): \$5.0 million
- UNM-LDC loan from institutional cash reserves
 - Loan amount: \$26.4 million
 - Term: 7 years, thru 2020
 - Amortization: 30 years
 - Interest rate: 3.0%
- UNM HSC purchased from LDC one (1) the buildings located on UNM West Campus in 2016
 - Assumed debt obligation

C. UNM Baseball Clubhouse (2015)

- LDC facilitated private-sector construction of new clubhouse
 - LDC assumed ownership / landlord position
 - UNM Athletic Dept. assumed tenant position
- LDC obtained loan for UNM Foundation, Inc.
 - \$1,000,000 note
 - 10 year term
 - Interest rate- Fed Prime
- UNM Athletic Dept. pays rent equal to loan amortization

D. South Campus Commercial Development (2007-2014)

- Early Efforts: Comprehensive Commercial Development Solicitation
 - North, Central & South Campus
 - RFI/RFP from 2007 to 2008

- National financial crisis- 2007 to 2010
- Hunt Development negotiations- 2009 to 2010
- LDC Board recommends focus on student housing- 2009
- Forest City RE Services Consultation- 2011 to 2012
 - Market research
 - Engineering studies
 - Concept master plan
 - Master developer solicitation
- Fairmount Properties (Cleveland, OH)- 2012 to 2014
 - Letter of Intent- May 2012
 - Master Development Agreement (“MDA”)- 2012 to 2013
 - Development Proposal- November 2013
 - UNM Rejects Development Proposal- January 2014
 - Includes land not covered by MDA
 - Incomplete submittal
 - Unacceptable financial subsidies from UNM & City
 - Unacceptable economic return on UNM land
 - Alternative Development Proposals Evaluated- February to April 2014
 - MDA Termination Agreement- July 2014

6. Lessons Learned

A. National Economy Matters

- ABQ recovery- 10+ years
 - Metro area lost nearly 30,000 jobs from 2007-2010
 - Metro area employment in Nov. 2017 slightly under Sept. 2007
- Support local initiatives
- UNM is economic engine for region & state

B. Highly-competitive, Dynamic Local Development Community

- Chick-fil-A
- Cabela’s
- Topgolf
- Capstone Cottages
- DaVita Medical Group

C. Ground Lease Deals- Challenging

- Not broadly accepted
- Time consuming to negotiate
- Landlord control means reduced economic benefit

D. Infrastructure Matters

- Glossy pictures & plans don't close deals
- Tenants demand building-ready sites
- Directly related to land economics
- Builds & sustains momentum / absorption

7. Moving Forward

A. Solving Infrastructure Problem

- Comprehensive approach
 - Avoid temptation of "one-off" projects
- Public finance
- City cooperation

B. Aggressively pursuing commercial RE deals

- Destination entertainment
- Retail anchors
- Housing

C. Focus on economic development

- Expand Science & Technology Park
- Connect to Innovate ABQ
- Regional draw of Athletic Venues