

Lobo Development Corporation

PARTNERSHIP + INVESTMENT + COMMUNITY

UNM – ACC South Campus Housing

Board of Regents

May 11, 2010

Approval of Ground Lease

- Final-stage of approval process by Regents
 - Master Agreement (September 2009)
 - Apartment Housing Concept (January 2010)
 - Ground Lease (May 2010 pending)
- Approval of Lease Recommended by Lobo Development Corporation (April 1, 2010)

Open Meetings & Transparency

- Lobo Development Corp. & Regents committed to open process and transparency
- 13 public meetings in past 15 months
- Numerous campus & community meetings
- All interested parties afforded the opportunity to contribute

Public Opinions & Final Negotiations

- Public comments are welcome & encouraged
- Lease Agreement is an evolving document during negotiations; Not final until approved by Board of Regents
- Recent active involvement by Regents Koch, Chalmers & Gallegos working directly with Bill Bayless, President & CEO, American Campus Communities to complete negotiations

Lease Term & Ground Rent

- Initial Lease Term has been reduced: 65 Years to 40 Years (plus three 10-year options)
- Minimum Rent (applicable after 5th year) has been increased from \$150,000 to \$350,000
- Total anticipated ground rent to UNM:
 - \$3.6 Million over 10 years
 - \$22.7 Million over 40 years
- Annual ground rent may be used to renovate existing housing or off-set housing debt service obligations

ACC Responsibilities

- Financially guaranty completion of construction
- Maintain in Class “A” condition; Establish \$2 Million repair & replacement reserve
- Manage & operate to:
 - ACUHO-I (American College & University Housing Officials) Standards
 - Joint UNM-ACC Advisory Committee
 - Staffing & Training Standards
- Implement student life programs

UNM Rights & Controls

- Operational oversight thru Joint Advisory Committee: UNM Code of Conduct, Judicial Review and Appeal Process (eg. withholding grades)
- Option to terminate lease early by exercising its Right to Purchase at any time after 10 Years and upon a contemplated transfer by ACC
- May build any residence hall housing or renovate or replace existing housing or build new apartment-style with independent study showing demand

Rating Agency Perspective

- Similar to Boise State & Arizona State, we believe that the ratings agencies will view the ACC South Campus Housing Project as having no adverse impact on UNM's debt capacity or credit ratings.
- Moody's has stated that the proposed ACC transaction:
 - Will not negatively impact UNM's credit rating or outlook
 - Will not factor into UNM's debt ratios

Why Housing Partnership Preferred

- Preserves UNM debt capacity for core institutional facilities
- Partner provides specialized, business experience in student housing
- Shifts construction & operational risk from UNM
- Offers revenue stream to UNM that can be pledged to finance renovation of existing housing
- More timely delivery of much-needed new student housing

Off-Campus Housing Market

- Majority of students commute further than South Campus Housing Project
- Nearby, competitive apartments same distance or further away; Have high occupancy levels (97% average)
- Competitive rental rates at South Campus Housing Project; Same shuttle & parking rates as other South Campus students