

# LOBO DEVELOPMENT

PARTNERSHIP + INVESTMENT + COMMUNITY

## Minutes of the August 26, 2016 Annual Meeting of the Board of Directors

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Board Members Present: Jack Fortner, *Chair*; Maria Griego-Raby, *Vice Chair*; Chris Vallejos, *Secretary/Treasurer*; Louis Abruzzo; Stephen Ciepiela; Robert G. Frank; David Harris; Paul Krebs; Marron Lee; Paul Roth

Board Members Absent: *none*

Also present: Keelie Garcia, Lisa Marbury, Tom Neale, Harry Relkin, Melanie Sparks

### MINUTES

#### I. Call to Order

- a. Jack Fortner, Chair, called the meeting to order at 1:10 pm in the UNM Science & Technology Park Executive Conference Room at 851 University Blvd. SE, Suite 201, Albuquerque, NM.
- b. Chair Fortner established that a quorum was present.

#### II. Approval of 04/08/16 Minutes

- a. Draft Minutes of the April 8, 2016 meeting were presented. A motion to approve the 04/08/16 Minutes was made by Marron Lee with a second by David Harris. All agreed.
- b. **RESOLVED: The Board unanimously approved the 04/8/16 Meeting Minutes as presented.**

#### III. Financial Report

##### a. 4<sup>th</sup> Quarter 2015-16 Financials

- i. Chris Vallejos reported on the 4<sup>th</sup> Quarter Financials ending June 30, 2016. Included in the Board packet was a Balance Sheet and Profit & Loss Statement. He reported that the 4<sup>th</sup> Quarter net income was \$52,085 and overall for the year was \$1,444,541. Cash was at \$3,054,052 between two bank accounts, Compass Bank and UNM.
- ii. David Harris asked Mr. Vallejos to explain any future plans that would require cash expenditure. Mr. Vallejos explained that he has earmarked four items for the cash balance. First, CBRE has asked LDC to ready the 43-acre site to make it more attractive, which would cost approximately \$700,000-\$1M. This would mean grading the site, making it attractive from the freeway in order to get developers to look at it. The second earmarked expense is for the TIDD, which will be presented later by Tom Neale, Harry Relkin, and Kim Murphy. Expenses will be approximately \$100,000-\$300,000 for legal and the various approval stages that LDC will need to go through. Next, there are always infrastructure expenses to ready a site, whether it is sewer, water, or roads and \$500,000 has been earmarked for these. Lastly is the Innovate ABQ building. Lobo Development is conducting the transaction with the UNM Real Estate Dept. to build 310 rooms at Innovate ABQ. \$250,000 has been earmarked to

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help this student housing project over the first couple of years. All of these expenses total approximately \$2.5M if they all come through.

- iii. Discussion began about the large amount of cash Lobo Development holds. Mr. Vallejos explained that LDC has accumulated cash and has kept LDC expenses very low over the last two years. There is minimal staff with Keelie and Gloria as the only employees. So, cash has increased in order to address the various expenses that have been outlined.
  - iv. David Harris mentioned that when the TIDD information is presented, the Board will see that it is a much larger concept than the 54 Development project and the expenses will be clearer after the presentation. Chair Fortner asked if it will cost more than the \$100,000-\$300,000 Mr. Vallejos mentioned. Mr. Harris explained that is not known right now, but it could.
  - v. David Harris mentioned that LDC has helped Athletics' budget in the past and is certainly always willing to continue. Mr. Vallejos reported that when the budget is discussed for approval, the Board will see a line item for payment to Athletics of a portion of the Lobo Village ground rent.
  - vi. No other questions or comments.
- b. FY 2015-16 Audit by KPMG
- i. Chris Vallejos reported that LDC is in the preliminary process of the audit until the State Auditor approves it in November. The fieldwork has been completed and they are finalizing the financials. The financials will be presented to the University and then to the State Auditor. Currently, there are no findings. As soon as the audit is released, the final audit will be presented to the Board.
  - ii. No questions or comments.
- c. Approval of 2016-17 Budget
- i. Chris Vallejos presented the Operating Budget for fiscal year 2016-17. He explained that it should have been approved earlier this year, but the last Board meeting was in April and LDC was just beginning to develop it. The budget outlines the revenue sources, administrative/operating expenses of \$250,000, project expenses of \$400,000, and other expenses.
  - ii. Chair Fortner asked about the \$861,090 income that LDC will not receive this year. Mr. Vallejos explained it was the building that was transferred to UNM Health Sciences Center under the University books. Mr. Harris further explained it was the Rio Rancho property that Dr. Roth took over.
  - iii. No other questions or comments.
  - iv. A motion to approve the 2016-17 Budget was made by David Harris with a second by Marron Lee. All agreed.

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- v. **RESOLVED**: The Board unanimously approved the 2016-17 Budget.

### IV. Election of Chair and Vice Chair

- a. Chair Fortner asked for a nomination of Chair. Chris Vallejos nominated Jack Fortner as the Chair of Lobo Development. David Harris seconded the nomination. Chair Fortner asked for other nominations. None given.
- b. A motion to accept the nomination of Jack Fortner as Chair was made by David Harris with a second by Paul Krebs. No discussion. All agreed.
- c. Chair Fortner asked for a nomination of Vice Chair. Chris Vallejos nominated Marron Lee as the Vice Chair of Lobo Development. David Harris seconded the nomination. Chair Fortner asked for other nominations and discussion. None given. Chair Fortner asked for a vote and all agreed.
- d. **RESOLVED**: The Board unanimously approved the nominations of Jack Fortner as Chair and Marron Lee as Vice Chair of the Lobo Development Corporation Board of Directors for FY 2016-17.

### V. Approval of Appointments and/or Reappointments of four Non-Positional Directors

- a. Chair Fortner asked for a motion to approve the reappointment of Louis Abruzzo, Stephen Ciepiela, and Maria Griego-Raby as Non-Positional Directors. Marron Lee made a motion to approve.
- b. Chair Fortner asked about the vacant position. Keelie Garcia explained that the prior Chair changed the Bylaws to add a fourth non-positional director with the intent of it being filled by Mel Eaves. That did not occur so it was never filled and the Bylaws have not been changed back. She explained that there is the option to either fill the vacant position or change the Bylaws back.
- c. Chair Fortner decided to vote on the three reappointments and discuss the fourth position at a later date.
- d. No other questions or discussion.
- e. Second made by David Harris. All agreed.
- f. **RESOLVED**: The Board unanimously approved the reappointment of Louis Abruzzo, Stephen Ciepiela, and Maria Griego-Raby as Non-Positional Directors.
- g. David Harris thanked the public members for their willingness to serve on the Board.

### VI. Project Updates

- a. UNM Sports & Entertainment District
  - i. Tom Neale provided an update on the ground lease agreement that was executed with 54 Development in late December. According to the agreement, they had a

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240-day due diligence period that expired on August 18, 2016 and a two-week extension was granted on that due diligence period. They provided the extension in order to allow him to meet with the Board to give an update on where they are, explain that they have made some significant progress, but that the project has gotten larger and more complicated to execute. He requesting approval to extend their due diligence period to allow them to continue with their feasibility process. 54 Development has transitioned from a classic real estate development project where they build the improvements and lease it to various tenants to a single operator model where they build the facility and lease that facility to a single operator. They have decided on Levy Restaurants, who provides the food service at the Pit as their desired operator. When they met with Levy, Levy told them that their project needed to be flushed out a little bit more in order to eliminate some of the risks and that they needed greater market data. 54 has engaged, or will engage, with an analytic firm if the due diligence period is extended. The project has gone from the initial sub-ground lease that was approved by this Board from about 25,000 sq. ft. to 60,000 sq. ft. They have identified three revenue streams that provide feasibility for the project – operations, promotion, and live entertainment. If an extension is approved, they will spend approximately \$150,000 on very specific market analysis that will tell them exactly what they need to build and what type of venues. They have spent about \$200,000 to date on due diligence. LDC's team is recommending additional time for them to complete their due diligence.

- ii. Louis Abruzzo asked for the current timeline. Mr. Neale explained that they would like to extend the due diligence period through March 31, 2017. They will agree on certain deliverables and come back to the Board in January 2017 to update them on the results of their market study and brief the Board on their development plan going forward.
- iii. Chair Fortner asked about promotion revenue. Mr. Neale explained that promotion is selling advertising and promotion. He further explained that there are issues that need to be dealt with relatively quickly. There are two sponsorship agreements - one with Learfield and one with Pepsi. Mr. Neale has identified issues in the agreements and, if this Board and the Regents approve an extension, they are going to solve some of the inconsistencies in those documents and make sure that 54 is satisfied with the content of the Learfield and Pepsi agreements and vice versa. Discussion ensued about possible conflicts with Coca-Cola and Learfield. Paul Krebs explained that Athletics has a deal with Learfield and Learfield owns the multi-media rights - signage, sponsorship, radio and TV shows. They provide a guaranteed rights payment of roughly \$5M per year to Athletics and then they have exclusivity to go

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- out and market those rights in the community. Mr. Krebs further explained that Learfield has made a proposal to 54 Development to be their agency and it has been met with some hesitation. He is hopeful that they will reach some sort of agreement.
- iv. David Harris asked when the agreement was originally executed. Mr. Neale answered that it was December 22, 2015. Mr. Harris stated that it has been eight months since then and now they want another eight months. Mr. Neale explained that originally there was the 240-day due diligence period and then another year to construct, then the rent payments started after that. Mr. Harris thinks another eight months is too long.
  - v. Marron Lee reported that in conversations with other individuals involved in this project, she has heard that there is an easement within their proposed building site so they need to reconfigure their drawings. They will be relying on ART to be a revenue stream, also.
  - vi. Discussion began about the process of an average development project and Mr. Silverman's experience with the downtown grocery store.
  - vii. The Board suggested that Tom Neale ensure that 54 Development provides regular reports that they are moving forward, completing their due diligence, spending money, and that LDC is getting something back that shows progress. Mr. Neale agreed and explained that the next study, an analytic study, is a 120-day process, which would be the first item that would provide whether the project is feasible.
  - viii. There was discussion regarding parking now that the project size has increased to 60,000 sq. ft. Mr. Neale assured the Board that within the sublease with 54 Development, there were two critical documents that they have to provide to this Board and the Regents for approval. One was a development plan and a parking plan. Now that the density has changed, the parking has become more difficult and complex. If the Board approves to approve the extension, regularly scheduled meetings and more communication will be essential. One main topic will be the parking plan.
  - ix. Mr. Neale discussed the live entertainment aspect of the project and how critical it is to the success.
  - x. Regarding the extension approval, Chair Fortner mentioned that 54 Development might be looking for more time to see if there is a market and economy for this project. However, if they are going to be spending money, then it should be ok. In addition, at the end of it, if they walk away, can LDC get the research? Mr. Neale answered "absolutely" and they have already offered it. Maria Griego-Raby reiterated that they need to be given deliverable timeframes and the Board needs to be apprised of those deliverables in a timely manner.

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- x. Mr. Neale explained that the Board will be informed of their feasibility findings. December is when the study will be completed, so after the holidays should be the timeframe for 54 to meet with the Board.
- xi. David Harris requested that in the extension, reporting milestones be included. Mr. Abruzzo suggested including a parking plan as a milestone. Chair Fortner requested a report in 90 days and if the Board is not pleased with the 90-day report, both have options to terminate. Mr. Neale suggested timing the deadline to align with the feasibility study, which is 120 days.
- xii. The Board discussed other options for getting a project done on the property.
- xiii. Mr. Neale asked for the Board's approval of whether they want to grant an eight-month extension and authorize Tom Neale to work with David Harris on the specific agreement.
- xiv. Louis Abruzzo made a motion to extend 54 Development's due diligence to March 31, 2017 based upon updates, deliverables, progress, and working on the parking agreement to show actual progress. David Harris suggested including the Pepsi issue, also. Second made by Paul Krebs.
- xv. Maria Griego-Raby asked to amend the motion to include very definitive milestones determined by Mr. Neale or Mr. Harris and provide regular reports to the Board.
- xvi. All agreed.
- xvii. RESOLVED: The Board unanimously approved the extension of 54 Development's due diligence to March 31, 2017 based upon very definitive milestones determined by Tom Neale and/or David Harris, a draft parking plan, addressing the Pepsi issue, and regular reports to the Board.**
- b. South Campus TIDD
  - i. Tom Neale reported that specific information will be presented in Executive Session by Harry Relkin and Kim Murphy.
- c. Lobo Baseball Clubhouse
  - i. Tom Neale reported that the project is ahead of schedule and should be completed mid-October 2016. The current budget is \$2.3M. Upon completion of construction, Lobo Development will remove the Grady entity and payoff the outstanding balance of the construction contract. This will be done in gift-in-kind donations through the subcontractors for the project, about \$300,000. About \$750,000 in donations that Athletics has received today that is in their index. A state appropriation of \$205,000 and a loan from the UNM Foundation to LDC which will be converted to a rent payment that Athletics will pay LDC. The intent is to pay off the loan quickly as Athletics secures more donations for the facility. There is another \$175,000 state appropriation if needed. The process worked out very well and Grady exceeded

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- expectation securing gift-in-kind donations from their sub-contractors. Completion mid-October.
- ii. Paul Krebs reported that Athletics received a \$300,000 gift for the project. It is a \$300,000 pledge. They have received \$100,000 of that and \$200,000 pledge dollars.
- d. Leasing Agent Proposal (CBRE)
- i. Tom Neale reported that the South Campus sites are going to be listed with CB Richard Ellis.

### Executive Session

1. Chair Fortner requested a motion to close the meeting and proceed in Executive Session. Motion made by Marron Lee with a second by Stephen Ciepiela. All in favor. Meeting was closed at 2:09 pm.
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 Fortner requested a motion to reopen the meeting. Marron Lee made a motion to reopen the meeting with a second by Stephen Ciepiela. All in favor. Meeting was reopened at 2:57 pm.

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.

### VII. Action Items from Executive Session, if any

- a. None

### VIII. Adjournment

- a. Meeting adjourned by Chair Fortner at 3:00 pm.

Minutes prepared from recording by Keelie Garcia.

Approved by Board of Directors: February 14, 2017



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Chris Vallejos, Secretary/Treasurer