

**BOARD OF REGENTS
BRIEFING PAPER**

1. AGENDA ITEM TITLE: Request for Approval of NHBC as Section 509 Supporting Organization, Development Agreement for Southern Nevada Public Health Lab, First Amendment to Development Agreement for the UNLV School of Medicine, and First Amendment to Medical School Building and Grounds Lease for Kirk Kerkorian School of Medicine at UNLV

MEETING DATE: October 18, 2024

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

Summary of Status/ Impacts and Consideration of Next Steps

Summary

This briefing paper outlines four key action items related to the continued development and support of the Kirk Kerkorian School of Medicine at UNLV (“KSOM”). These actions are critical to advancing the university’s efforts to expand its medical education infrastructure and improve healthcare services in Southern Nevada. The proposed items are as follows:

- Acceptance of Nevada Health and Bioscience Asset Corporation, a Nevada non-profit corporation, doing business as Nevada Health and Bioscience Corp. (“NHBC”), as a Supporting Organization under Section 509(a)(3) of the Internal Revenue Service (“IRS”) Code;
- Approval of Development Agreement for Southern Nevada Public Health Lab (“**Lab Development Agreement**”), referred to herein as “**Lab Facility**,” to be financed, developed, and owned by NHBC, and operated, maintained, and managed by University Medical Center (“UMC”);
- Approval of First Amendment to Medical School Building and Grounds Lease (“**MEB Lease Amendment**”), which modifies the lease (“**MEB Lease**”) for the KSOM medical education building (“**MEB Building**”); and
- Approval of First Amendment to Development Agreement for the UNLV School of Medicine (“**MEB Development Agreement Amendment**”)

These action items are central to UNLV’s ability to support KSOM, meet the growing demand for healthcare professionals, and support the further development of public health infrastructure in Southern Nevada. UNLV recommends the Board of Regents approve all four items to facilitate the timely advancement of these important initiatives.

Background

Explanation of NHBC’s status as Section 509(a)(3) Supporting Organization for UNLV: NHBC is a 501(c)(3) tax-exempt organization under the IRS Code. NHBC applied for and obtained approval from the IRS to be treated as a 501(c)(3) tax-exempt organization, with a specific sub-categorization as a 509(a)(3) “Supporting Organization” to UNLV. Such approval was provided by the IRS on May 5, 2020 and allows NHBC to be recognized as a Supporting Organization for the exclusive benefit of UNLV in connection with the development and funding of the MEB Building. NHBC’s status as a “Supporting Organization” to UNLV allows for increased tax deductibility for charitable contributions as a public charity instead of a private foundation.

Explanation for the request for approval of Lab Development Agreement to be financed, developed and owned by NHBC, and operated, maintained, and managed by UMC: NHBC has been allocated American Rescue Plan Act (“ARPA”) funds of \$35,000,000 from the State of Nevada for the development of the Lab Facility. NHBC has also received the City of Las Vegas General Funds allocation of \$9,000,000 for the Lab Facility’s planning, design, and pre-construction costs. The State of Nevada \$35,000,000 ARPA funds allocation approved at the August 17, 2022, State of Nevada Interim Finance Committee (“IFC”) meeting specified the \$35,000,000 allocation to be used for the following purposes:

“Southern Health Laboratory: The Nevada Health and Bioscience Corporation (NHBC) in partnership with the University Medical Center (UMC) and Department of Health and Human Services (DHHS) has identified a number of public lab deficits within the State and specifically in Southern Nevada. \$35,000,000 would be used to build an innovative 24/7 lab within the Las Vegas Medical District to bring critical testing, research, and academics to the community in order to improve patient care and better serve the population of Southern Nevada.”

The preferred site for this Lab Facility is the 625 Shadow Lane site in Las Vegas, Nevada (“**625 Shadow Lane Site**”), currently owned by NHBC, which also serves as the site where NHBC financed and developed the MEB Building. The 625 Shadow Lane Site is subject to reversion to UNLV in 2030, along with the MEB Building itself. Under the proposed agreements, the 625 Shadow Lane Site will be subdivided so that that Lab Facility will sit on its own parcel, which will be owned by NHBC.

The Lab Facility will consist of an approximately 34,000 square foot public health lab, which will provide for public health and laboratory testing facilities and medical education and/or research opportunities. The Lab Facility is anticipated to be leased to UMC as a lessee/operator.

The Lab Development Agreement has been negotiated and developed by NHBC and UNLV, with the involvement and support of NSHE Special Real Property Counsel, to enable NHBC to develop the Lab Facility. The Lab Facility's development and purpose align with the broader objectives of the 625 Shadow Lane Site, NHBC's role as a Section 509(a)(3) Supporting Organization, and the mission of KSOM. It is designed to support public health and healthcare infrastructure needs in Southern Nevada, particularly within the Las Vegas Medical District (LVMD).

Summary of Key Terms of Lab Development Agreement

- Subdivision of the 9-acre MEB Building parcel at the 625 Shadow Lane Site to allow for construction of the Lab Facility at the sole cost of NHBC, through ARPA funds and other funding sources.
- Size of parcel will not be larger than minimum acreage required for an approximately 34,000 square foot Lab Facility.
- Material deviations of the boundaries of the conceptually proposed 625 Shadow Lane Site must be agreed to by UNLV.
- Disruption to MEB Building to be minimized during construction.
- Prior to commencement of construction, NHBC to provide to UNLV: plans and specifications, binding construction contract, copy of any financing documents, all building permits, and other items reasonably requested by UNLV.
- NHBC to commence and complete construction in accordance with the timelines set forth in the ARPA grants.
- If NHBC doesn't commence or complete construction as required, 625 Shadow Lane Site to revert to UNLV pursuant to the process set forth in the Lab Development Agreement, subject to applicable notice and cure periods.
- NHBC required to pay prevailing wage.
- Overall finish and design to align with appearance of MEB Building.
- If work is commenced prior to completion of the subdivision of the 625 Shadow Lane Site, NHBC must indemnify UNLV from losses incurred from any mechanics' liens and remove any mechanics' liens.
- UNLV to be ensured educational access to Lab Facility, pursuant to future affiliation agreement(s) with UMC.
- UMC or any other lab operator will not use the Lab Facility for a uses already offered by UNLV or KSOM (higher education or medical education)

Explanation for the request for approval of the MEB Lease Amendment: The First Amendment to Medical School Building and Grounds Lease is necessary to support the Lab Development Agreement for the Lab Facility, most notably related to the subdivision process set forth in Article 1 of the Lab Development Agreement (“**Subdivision Process**”). The Subdivision Process will modify the legal description for the MEB Lease parcel, resulting in the MEB Lease parcel being reduced in size, to create a land parcel for the Lab Facility at the 625 Shadow Lane Site.

Explanation for the request for approval of the MEB Development Agreement Amendment: The First Amendment to the Development Agreement for the UNLV School of Medicine is necessary to support the Lab Development Agreement for the Lab Facility, most notably to modify the legal description and to remove the restriction on financing secured by the 625 Shadow Lane Site and the reversionary clause upon completion of the subdivision. The reversionary clause, requiring reversion of the MEB Building parcel and MEB Building itself in 2030, remains effective for the remainder of the MEB Building parcel.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

UNLV President Keith E. Whitfield requests Board of Regents approval for the following items:

1. Acceptance of Nevada Health and Bioscience Asset Corporation as a Supporting Organization under Section 509(a)(3) of the IRS Code;
2. Approval of Development Agreement for Southern Nevada Public Health Lab to be financed, developed and owned by NHBC, and operated, maintained and managed by UMC;
3. Approval of First Amendment to Medical School Building and Grounds Lease; and
4. Approval of First Amendment to Development Agreement for the UNLV School of Medicine.

President Whitfield further requests the Chancellor be authorized to finalize, approve, and execute the aforementioned agreements and any other ancillary agreements, including but not limited to, conveyances, easements, and rights of way, associated with these items, with any and all of the aforementioned agreement(s) and documents to be reviewed and approved by NSHE Chief General Counsel (or, at the Chief General Counsel's request, NSHE Special Real Property

Counsel) in order to implement the terms and conditions associated with any of the items approved by the Board of Regents for this agenda item.

4. IMPETUS (WHY NOW?):

This agenda item is timely, to support the timeline for the use of the State of Nevada allocated operating funds, the development time for the Lab Facility, and the need to proceed with this important community healthcare and public health infrastructure item, for the broader needs of, and benefit to the Southern Nevada community.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase participation in post-secondary education)
Success (Increase student success)
 - Close the Achievement Gap (Close the achievement gap among underserved student populations)
 - Workforce (Collaboratively address the challenges of the workforce and industry education needs of Nevada)
 - Research (Co-develop solutions to the critical issues facing 21st century Nevada and raise the overall research profile)
- Not Applicable to NSHE Strategic Plan Goals

INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

The outlined actions support key NSHE Strategic Plan goals, focusing on increasing access to medical education, closing achievement gaps, addressing workforce challenges, and enhancing research. The expansion of KSOM and the development of the Southern Nevada Public Health Laboratory will increase participation in medical education, provide critical health services to underserved communities, and train a larger healthcare workforce. These initiatives also promote research and innovation, positioning UNLV to address healthcare and public health challenges in Southern Nevada while supporting broader state needs. Specifically, at the medical student level, the lab will provide resources for experiences in laboratory medicine. Construction of the laboratory facility will also help to provide services eventually needed for a future planned residency program in Pathology.

6. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- With the approval by the Board of Regents, the items in this agenda item are expected to be supportive of KSOM and the broader Southern Nevada community by helping to meet the growing demand for healthcare professionals and the further development of public health infrastructure in Southern Nevada.
- Approval of this item, if granted by the Board of Regents, is both timely and important, and associated with State of Nevada ARPA funds timeline requirements and compliance.

7. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- The subdivision process set forth in Article 1 of the Lab Development Agreement will reduce the size of the MEB Building land parcel, and create a new land parcel owned by NHBC in perpetuity. While the subdivision and related agreements will reduce UNLV's direct oversight and control of this new land parcel, its creation is required to meet the terms of the State of Nevada ARPA funds allocation to NHBC for this project, as approved by the IFC.

8. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

None noted, as no viable alternative is known for development of the Lab Facility, in compliance with the terms of the State of Nevada ARPA funds allocation to NHBC for this project, as approved by the IFC.

9. RECOMMENDATION FROM THE CHANCELLOR'S OFFICE:

The Chancellor's Office recommends approval.

10. COMPLIANCE WITH BOARD POLICY:

Consistent With Current Board Policy:

- Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
- Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
- Other: _____
- Fiscal Impact: Yes _____ No X _____

Explain: No fiscal impacts are anticipated to occur from this action item.