

BOARD OF REGENTS BRIEFING PAPER

1. AGENDA ITEM TITLE: Purchase and Master Lease of Real Property Located at 4700 South Maryland Parkway, UNLV

MEETING DATE: March 9-10, 2023

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

General Background Information

Pursuant to Title 4, Chapter 10, Section 1(9), Table 9.1, Board of Regents' Handbook, UNLV is granted the ability to negotiate the purchase of the Property (defined below), which has been identified for acquisition pursuant to the UNLV campus master plan approved previously by the Board of Regents. In a memorandum dated September 26, 2022, UNLV notified the Acting Chancellor of UNLV's intent to negotiate the acquisition of certain real property not currently owned by NSHE, for the benefit of UNLV (i.e., Level 1 and Level 4-8, underlying land parcel, parking reciprocal easement) generally located at 4700 South Maryland Parkway, and also commonly known as Clark County Assessor Parcel Numbers 162-23-420-001, 162-23-420-002, 162-23-420-005, 162-23-420-006, 162-23-420-007, and 162-23-420-008, or University Gateway (the "**Property**").

The Property is located on approximately 1.004 acres (43,734) square feet). It includes 169 studio-style residential beds in 125 housing units and associated residential amenities encompassing approximately 65,749 net / 94,313 gross square feet of interior residential and associated amenity space, exterior residential amenity space/facilities (i.e., pool, patios, and other amenities), on Levels 4-8, and approximately 18,960 net rentable / 20,292 gross square feet of commercial space in 11 retail/commercial units on Level 1. Those improvements were all constructed in 2019. The Property also includes a reciprocal easement for the use of approximately 193 adjacent UNLV-owned 820 parking spaces in the University Gateway parking garage, which was constructed in 2016. That parking easement benefiting the Property allows retail, commercial and residential parking. The Property is currently owned by G2-4700, LLC (the "**Seller**"). The Acting Chancellor executed memorandum to enter into negotiations is incorporated hereto as "Attachment A."

For context, UNLV already owns the second and third floors of the Property, in addition to the adjacent parking structure referenced above. This Property acquisition is for the remaining portions of the University Gateway property that is owned by G2-4700, LLC – specifically including the underlying land, Level 1 commercial space, Level 4-7 residential units, the Level 8 residential amenity deck, and the rights to the parking reciprocal easement.

The Property is located directly adjacent to the UNLV Maryland Campus (the "**Campus**"), and it is located within the UNLV "Maryland Parkway + Midtown UNLV" as identified in the 2017 Maryland Campus Master Plan Update (the "Master Plan") approved by the Board at its September 7-8, 2017 meeting. Under the Master Plan, the Property is designate to be a strategic property for future acquisition opportunities. The location and description of the Property, and page 21 of the Master Plan for the Campus, are incorporated hereto as "Attachment B" and "Attachment C," respectively.

Purpose and Intent

The acquisition of the Property will support UNLV student achievement and community partnerships. The mixed-use building elements also allow UNLV to revitalize the east side of Maryland Parkway and promote a university-branded complex that welcomes students and aligns with the university's infrastructure.

Property Acquisition and Master Lease Financial Information

As part of the Property acquisition, UNLV will contract with the Seller, or a related organization, to enter to a "**Master Lease**" of the Property, for an initial five (5) year term, with one five (5) year extension that includes a UNLV extension exit option, and potentially other options for the future residential occupant focus of the Property in the extension period, as may be feasible, practical and/or advantageous to UNLV.

Under a Master Lease agreement, UNLV would own the Property (becoming the "**Master Lessor**"), and the Seller or a related organization would master-lease the Property from UNLV (becoming the "**Master Lessee**"). The Master Lessee would provide annual payments to the Master Lessor, whereby the Master Lessee would have the right and the obligation to lease all components of the Property (i.e. residential units, commercial spaces, ancillary facilities including - where

appropriate and not in conflict with UNLV policies - parking available to the Property via the reciprocal easement) in exchange for the annual payments provided to the Master Lessor.

Current financial projections for the Property, assuming a maximum \$59,718,000 purchase price, include the following:

- UNLV will acquire the Property by utilizing existing uncommitted, unrestricted account balances.
- UNLV has available cash on hand (liquidity) to make this investment in this property without requiring external financing. The appropriate range for this institution is between 120 and 200 days of cash to provide sufficient coverage to withstand business cycles and short-term business interruption. While these funds are designated for specific purposes, the funds are unrestricted from a financial statement perspective and therefore provide the institution the opportunity to advance funds for investments in real property and other strategic initiatives.
- The Seller has submitted a proposal for a master lease to UNLV, with revenue projection options. A projected annual Master Lease revenue amount of approximately \$3,225,000 (subject to change based on final negotiations with the Seller/Master Lessee) will be used to repay the unrestricted cash balances over a period of approximately 20 years. A modest amount of the revenue will be set aside for repairs, replacement and renewal.
- Cash flow is projected to be positive over the course of the 20 year repayment schedule. However, if cash flow deficits should occur, UNLV will cover with lease revenue from other UNLV properties or investment income, if needed.
- UNLV will evaluate opportunities to repay the unrestricted cash balances sooner based on additional property sales or future investment income, depending on current needs of the UNLV Master Plan.
- A facilities condition assessment will be completed after closing by a third expert to determine infrastructure stability and identify any unforeseen conditions. Although the facility is relatively new, final results of the assessment may affect expense projections if required repairs are identified.

UNLV recommends purchasing the Property using unrestricted funds rather than external financing. Rationale:

- Preserves third-party debt capacity for UNLV academic & operational use projects.
- Avoid third party financing costs due to current market interest rates.

Overall Property Information Summary

- 125 apartment units with 169 total beds, composed of 113 single bed studio units (113 beds), 4 two-bedroom/two-bathroom units (8 beds), 8 six-bedrooms/two-bathroom units (48 beds).
- Approximately 65,749 net / 94,313 gross square feet of interior residential and associated amenity (i.e. pool, patios and other amenities) space.
- Exterior residential amenity space and features (i.e. pool, patios and other amenities.)
- Approximately 18,960 net rentable / 20,292 gross square feet of commercial space in 11 retail/commercial units.
- Approximately 1.004 acres (43,734) square feet) of land.
- \$59,718,000: Seller offered purchase price, and upper limit of potential purchase price subject to an appraisal. UNLV is not able to pay above appraised value, and is not interested in paying more than the Seller offered purchase price, if an appraisal meets or exceeds the Seller offered purchase price.
- Approximately 193 total off-street parking spaces (Approximately 109 parking spaces allocated to residential uses and 84 parking spaces allocated to retail/commercial uses and customers) available in adjacent UNLV owned garage, via an existing reciprocal easement. The 193 parking spaces are part of the UNLV owned adjacent 820 parking space garage.

Proposed Property Acquisition Process Items

The purchase price (the “**Purchase Price**”) for the Property will be no more than \$59,718,000, but the Purchase Price is subject to confirmation by a licensed real estate appraiser under an appraisal acceptable to UNLV. The Seller is aware that UNLV cannot purchase the Property for an amount greater than its appraised value, and that UNLV will not purchase the Property for an amount in excess of the appraised value of the Property, in spite of any offering price for the Property. In addition to performing the aforementioned appraisal, UNLV will conduct required due diligence of the Property, which includes a title report review and analysis, Property inspection, Phase I Environmental Site Assessment, and a new ALTA/ACSM Land Title Survey. Prior to finalizing acquisition of the Property, all due diligence reports will be provided to NSHE Chief General Counsel for review and final approval. The existing residential and associated residential facility leases (i.e. parking, storage lockers) on the Property are all for twelve months or less, and the existing commercial facility leases generally range in remaining base term length of between three years and eight years.

Other Information

UNLV has an exclusive UNLV student/campus housing agreement with UPA1, LLC, as a part of the development and operations of UPA1, LLC’s financing, development and operations of The Degree and The Legacy student/campus housing development and operations at the University Park housing site, as approved by the Board of Regents in April 2015. These UNLV/UPA1, LLC agreements included terms such as restrictions on UNLV developing, financing and operating UNLV student/campus housing aside from first year/’freshman’ housing (“**Restricted Housing**”).

For context, If UNLV were to acquire the Property with a Master lease agreement, UNLV would not have any responsibility for Property operations or management of day-to-day operations, and the Property would not be a part of UNLV’s student/campus housing and associated housing authority, oversight or management. The Master Lessee would continue to operate the Property, with its commercial and residential components, as a property with no housing, retail/commercial, concessions or other affiliations with UNLV student/campus housing, retail/commercial, dining services or other UNLV programs, activities, management, oversight or agreements. This would retain the independence and separation of the Property from UNLV student/campus housing and other UNLV programs, activities, management, oversight or agreements.

However, UNLV, as a part of any potential acquisition of the Property, will work with UPA1, LLC, related to any terms of the agreements in place for The Degree and The Legacy student/campus housing at the University Park housing site for any defined Restricted Housing provisions, so that the acquired Property and existing UNLV student/campus housing agreements do not conflict.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

UNLV President Keith E. Whitfield requests Board approval to purchase the Property located at 4700 South Maryland Parkway bearing Clark County Assessor Parcel Numbers 162-23-420-001, 162-23-420-002, 162-23-420-005, 162-23-420-006, 162-23-420-007, and 162-23-420-008. UNLV further requests the Chancellor be authorized to finalize, approve, and execute a Purchase and Sale Agreement, and any and all other ancillary agreements required to implement the purchase of the Property, including but not limited to escrow agreements, conveyances, easements, and right of ways (the “Ancillary Documents”). The Purchase and Sale Agreement and the Ancillary Documents shall be reviewed and approved by NSHE Chief General Counsel, or NSHE real estate counsel, to confirm that NSHE’s acquisition of the Property, for the benefit of UNLV, complies with the requested Board of Regents approval and applicable NSHE policies.

4. IMPETUS (WHY NOW?):

The Seller has offered the Property for sale to UNLV in advance of any general market offering for the sale of the Property.

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 acquisition of the Property will support student achievement and community partnerships. The mixed-use building elements allow UNLV to revitalize the east side of Maryland Parkway and promote a university-branded complex that welcomes students and aligns with the university's infrastructure. UNLV is looking at future opportunities for UNLV Student Life, including auxiliary and retail spaces to ultimately occupy the acquired space at some point in the future. By acquiring the property, UNLV will extend its footprint on the east side of Maryland Parkway and provide greater flexibility and control.

6. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

The acquisition of the Property is an institutional priority to enhance the Maryland corridor student experience.

UNLV currently owns two of the seven occupiable floors and acquiring the remaining space provides strategic and operational benefits.

UNLV has established a strong presence in the building in the UNLV owned space including: UNLV Southern Command Headquarters, School of Public Health, the Graduate College, and the Office of Community Engagement, and significant parking capacity (approximately 627 UNLV controlled parking spaces.)

G2-4700, LLC is offering the purchase opportunity first to UNLV before selling to an unrelated investment group. G2-4700, LLC has been an excellent partner with UNLV and has operated the building in support of and in alignment with UNLV's vision. An unrelated investment group may not share this philosophy, which may result in unintended consequences such as impacts on the student and campus community experience.

Acquisition of the Property will provide the potential for student life and housing growth opportunities.

The Property is aligned with UNLV's University District vision of a diverse and vibrant community incorporating housing, commercial, retail, cultural, and other uses.

7. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

Internal financing may reduce debt capacity to fund other projects that are on the UNLV Master Plan. This acquisition may pause additional self-supporting property acquisitions as a result of reducing unrestricted funds. A facilities conditions assessment outcome may increase the building repair costs due to unforeseen conditions.

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

Do not purchase the Property.

9. RECOMMENDATION FROM THE CHANCELLOR'S OFFICE:

10. COMPLIANCE WITH BOARD POLICY:

☒ Consistent With Current Board Policy: Title # 4 Chapter # 10 Section # 1(9), Table 9.1

☐ Amends Current Board Policy: Title #__Chapter #____Section #____

☐ Amends Current Procedures & Guidelines Manual: Chapter #____Section #____

☐ Other:_____

☒ Explain: _____

Explain: Total acquisition price will be no greater than \$59,718,000, as determined by a licensed real estate appraiser. UNLV will acquire the Property by utilizing existing uncommitted, unrestricted account balances.

ATTACHMENT "A"



UNIVERSITY OF NEVADA, LAS VEGAS

DATE: September 26, 2022

TO: Dale A.R. Erquiaga, Acting Chancellor, NSHE

FROM: Keith E. Whitfield, President, UNLV ^{DS} *Kew*

CC: Jean Vock, Senior Vice President for Finance and Business and CFO, UNLV ^{DS} *JV*
Elda L. Sidhu, General Counsel, UNLV *ES*

RE: Negotiations to Purchase Real Property Located at 4700 S. Maryland Parkway

Under the terms of Board of Regents' Handbook Title 4, Chapter 10, Section 9(a), UNLV is granted the ability to negotiate purchase of real property identified for acquisition pursuant to a campus master plan that has been approved by the Board of Regents. Please accept this memorandum as notification that UNLV will commence negotiations for the purchase of the retail space on the first floor and residential units at 4700 S. Maryland Parkway, Clark County Assessor Parcel Numbers 162-23-420-(001-002)(005-008), also commonly known as University Gateway Phase II. The property owner has made a decision to dispose of this asset and since UNLV is the current owner of the parking garage and floors two and three in the building, he has offered the property UNLV prior to marketing it to the general public. This acquisition of the remaining two components (retail and residential) provides the opportunity to acquire ownership of the property in its entirety. The property sits on .50 acres (21,780 square feet) of land. The purchase would also include 169 beds of student housing and 18,960 square feet of retail shopping. For reference purposes, please see Attachment A that demonstrates the location of the entire property.

The property was designated in the UNLV Maryland Campus Master Plan as a strategic acquisition opportunity due to its location within the Midtown UNLV corridor. Please see Attachment B from the campus master plan that outlines new development opportunities. The Board of Regents approved the above referenced master plan at the September 7-8, 2017 meeting.

Due to the student housing component of this property, UNLV is working with The Midby Companies on a possible waiver to their student housing restrictions provided by the various contracts for The Degree and Legacy projects.

As with other recent real property acquisitions at UNLV and UNR, if UNLV can negotiate appropriate terms and conditions, we intend to seek the Board's "pre-approval" to finalize negotiations and close on the purchase. This would entail submitting an agenda item to the Business, Finance and Facilities Committee to ask for approval, with delegation to the Chancellor to finalize the Purchase and Sale Agreement and any other closing documents. UNLV
Box 451001 • 4505 S. Maryland Parkway • Las Vegas, NV 89154-1001 • Tel: 702-895-3201 • Fax: 702-895-1088

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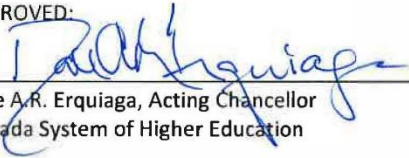
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and UNR have been proceeding with these "pre-approvals" from the Board, and it seems to work very well for all parties and ensures timely closing.

Please contact the UNLV Real Estate Department at 702-895-2537 with any questions or should additional information be required.

Thank you.

APPROVED:


Dale A.R. Erquiaga, Acting Chancellor
Nevada System of Higher Education

9/30/22

Date

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Exhibit "A"

Property



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EXHIBIT "B"

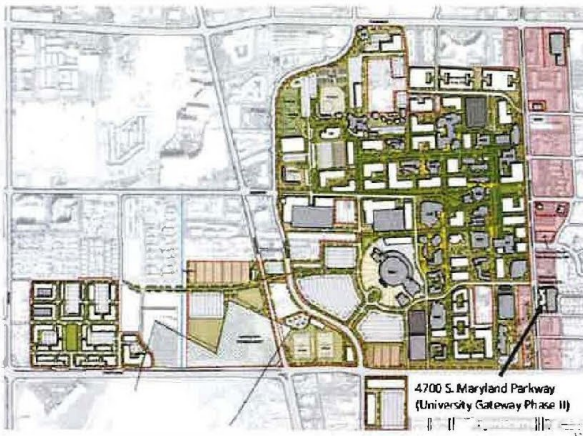
Master Plan

CAMPUS PLAN

- Strategic Academic and Research Expansion
- Improved Campus Gateway Experience on Maryland Pkwy/ and Swenson St.
- Better University Presence in local Community Area – i.e. potential renaming of Swenson Street, if approved by Clark County.
- Active Student and Athletic Activity Commonly along Tropicana Frontage
- Proximity and Connectivity to Las Vegas Strip with Development of 42 Acres Land



UNLV sees an opportunity to continue to work with Clark County after Elevated Roadway and other relevant land use determinations are complete, for UNLV/Clark County partnership options for use of Clark County land, as are feasible. FSA requirements, land restrictions, operations plans and other items may govern the nature of these opportunities.



ATTACHMENT "B"



ATTACHMENT "C"

UNLV sees an opportunity to continue to work with Clark County after Elevated Roadway and other relevant land use determinations are complete, for UNLV/Clark County partnership options for use of Clark County land, as are feasible. FAA requirements, land restrictions, operations plans and other items may govern the nature of these opportunities.

NEIGHBORHOODS

- A Campus Core
- B North Mall
- C Maryland Parkway + Midtown UNLV
- D Residential
- D1 Residential/Academic (Living-Learning Community) Redevelopment
- E Athletics + Recreation
- F Campus Village

