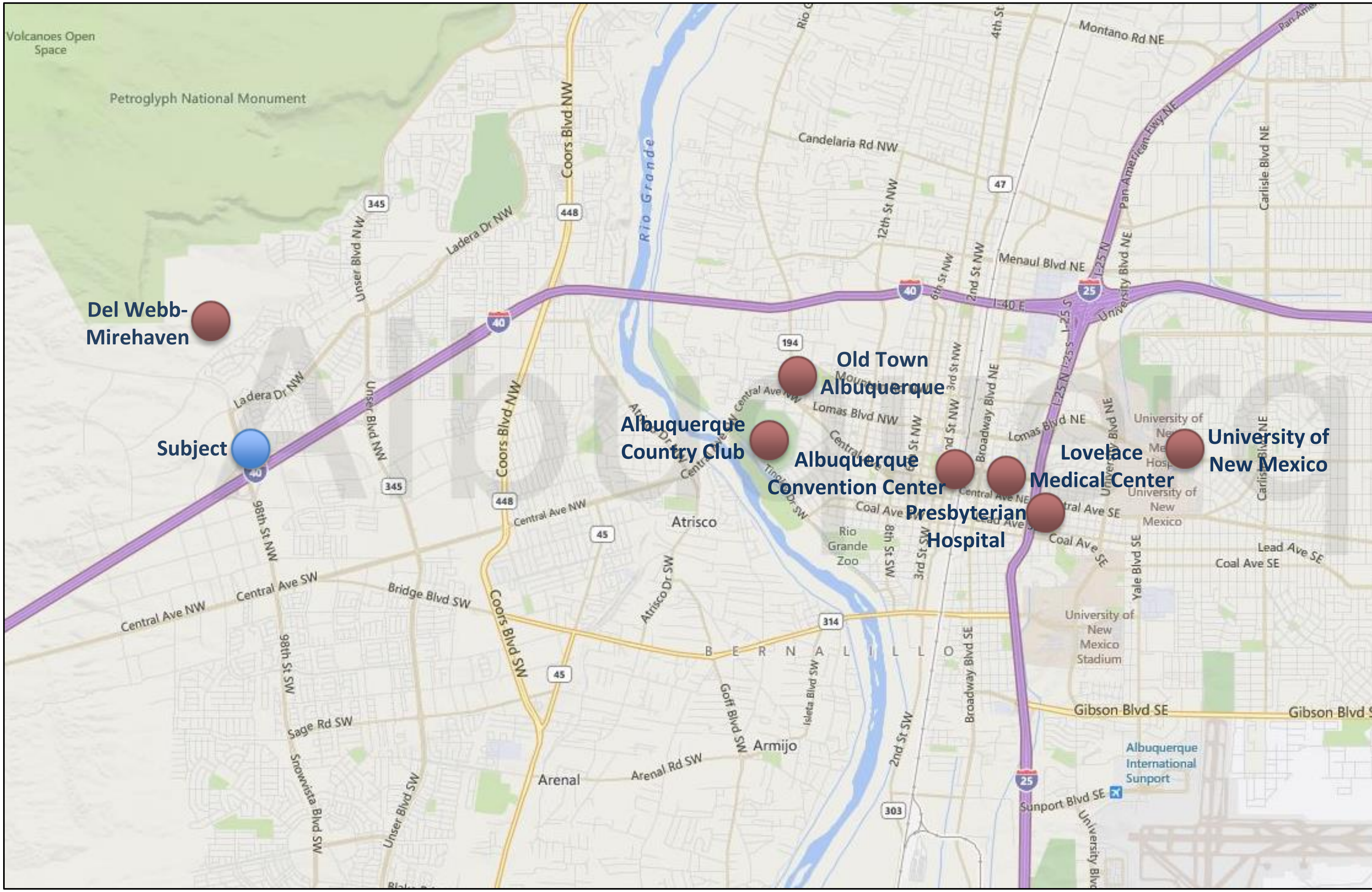
Amenities Important to Seniors are Nearby



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Nine Comparables Considered to Price Senior Housing Units

Nine comparables were considered when devising a pricing strategy for the Subject property (see map on following page). Six of the communities are located within the concluded PMA boundaries, while three are located in neighboring submarkets. The comparables as a whole offer a mix of assisted living, memory care and independent living. Each of the communities is professionally managed by local, regional or national seniors housing providers.

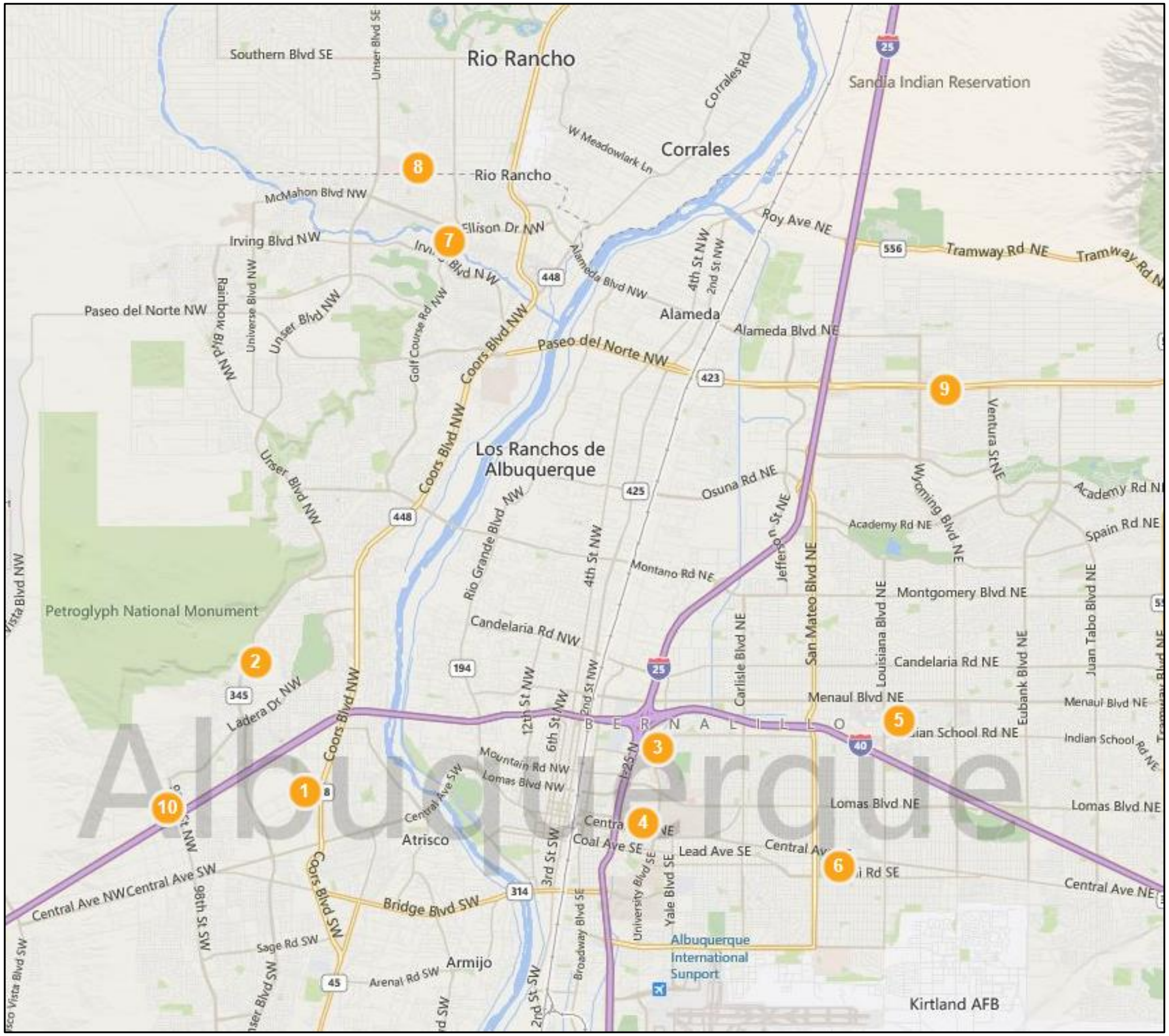
Westwind House and Ravenna Assisted Living are the most proximal comparables at 3.3 and 3.7 miles away. However, Westwind House is one of the oldest comparables built in 1996. The Ravenna Assisted Living facility was originally constructed in 2008, operating as Twin Oaks Assisted Living until it underwent a change in ownership in early 2014. The facility, which was underperforming the market, is now in the initial lease-up stage with the new ownership/management group.

The newest comparables were built in 2013 (Palmilla Senior Living and The Rio Grande Gracious) and are located between 12 to 14 miles away.

Property Name	Operator	# Beds	Yr. Completed	Driving Distance from Subject (Miles)
Westwind House	Quilted Care of Albuquerque	44	1996	3.3
Ravenna Assisted Living	Revenna Assisted Living	45	2008	3.7
Atria Vista Del Rio	Atria Senior Living	148	1997	9.2
Albuquerque Grand	Angeles Housing	152	1978	9.7
The Woodmark at Uptown	Senior Lifestyles	117	1998	12.2
Palmilla Senior Living	Spectrum Retirement Communities	159	2013	12.9
Brookdale Place Valencia	Brookdale Senior Living	198	1993	13.0
The Rio Grande Gracious	Hawthorn Retirement Group	134	2013	14.0
Paloma Landing	Hawthorn Retirement Group	118	2008	15.4
Total/Weighted Avg.		**1,115**	**2000**	**10.4**

Nine Comparables Located Within 10 Miles of Town Center

1. Westwind House
2. Ravenna Assisted Living
3. Atria Vista Del Rio
4. Albuquerque Grand Senior Living
5. The Woodmark at Uptown
6. Palmilla Senior Living
7. Brookdale Place at Valencia
8. The Rio Grande
9. Paloma Landing



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Rent Calculation Methodology Accounts for Age Differences

The foundation of Meyers' rent methodology are the market rental rates currently charged at the comparables. **Meyers' model takes into account differences in age, size, and services**, and then plots the adjusted rental rates on a trend line. These figures represent the estimated "base" rents for each of the Subject's bed/unit types. Location premiums and discounts are established using the comparable properties' weighted average position to the trend line by floor plan type. Using the data presented in the trend lines, the estimated "base" rent for each subject unit is derived through the use of the following formula:

Predicted Base/Level I Rent per Unit = Slope x Unit Size + Intercept x (1+Location Adjustment)

After estimating the "Base/Level I" rates for each of the subject's bed/unit types, the values associated with the project's design and levels of care are added to the "Base/Level I" rent estimate to arrive at an indicated market rent.

Each comparable receives an adjustment so that it will reflect a rent level typical of a newly constructed property. The methodology employed in this analysis is based on a study performed by Marshall & Swift and modified by Meyers based on indicated market influences. The premise of this methodology is that depreciation is not linear and that the aging process is minimal at first and then accelerates as a property ages.

	Year Built	Effective Age	Effective Age Difference	Adjustment
Town Center	2018	2018	N/A	N/A
Palmilla Senior Living	2013	2013	5	3%
The Rio Grande Gracious	2013	2013	5	3%
Paloma Landing	2008	2008	10	6%
Ravenna Assisted Living	2008	2008	10	6%
The Woodmark at Uptown	1998	2008	10	6%
Atria Vista Del Rio	1997	2007	11	7%
Westwind House	1996	2006	12	8%
Brookdale Place Valencia	1993	2003	15	11%
Albuquerque Grand	1978	2000	18	14%

The Subject property is expected to come online in 2018. While our rent estimates are presented in December 2014 dollars, after completion, the Subject will have an age difference that includes four years between today and its actual development date. The age adjustments applied in this analysis are based on an economic life of 50 years.

It is noted that several of the comparables are older and were built between 1978 and 1998. However, each community has been well-maintained over the years and is considered to be in good overall condition. Thus, for purposes of Meyers' analysis, adjusted effective ages are utilized.

Adjustments Account for Subject's Mixed-Use Location

Location premiums and discounts were established using the comparable properties' weighted average position to the trend line by floor plan type. This methodology implies that when base rents are compared, the differences in position relative to the trend line reflect location and other non-quantifiable factors such as property operator and unit/bed mix.

Comparable	Map #	Driving Distance from Subject (miles)	Premium/Discount to Trend			Weighted Avg. Distance to Trend	Calculated Location Adjustment
			Assisted Living	Memory Care	Independent Living		
Town Center	N/A	N/A	N/A	N/A	N/A	N/A	6.6%
Westwind House	1	3.3	-18.4%	0.0%	4.9%	-6.7%	
Ravenna Assisted Living	2	3.7	6.6%	0.0%	0.0%	6.6%	
Atria Vista Del Rio	3	9.2	-17.8%	7.0%	9.3%	-0.3%	
Albuquerque Grand	4	9.7	29.3%	0.0%	-0.9%	5.2%	
The Woodmark at Uptown	5	12.2	3.1%	-9.6%	0.0%	0.4%	
Palmilla Senior Living	6	12.9	9.8%	0.0%	-5.1%	-1.8%	
Brookdale Place Valencia	7	13.0	-11.3%	0.0%	9.9%	3.5%	
The Rio Grande Gracious	8	14.0	0.0%	0.0%	-9.5%	-9.5%	
Paloma Landing	9	15.4	0.0%	0.0%	6.7%	6.7%	

The Subject, which will consist of a mix of assisted living and independent living, will be part of a large mixed-use development consisting of retail, office, multi-family, hotel, hospital, professional office and medical office uses. **The proposed hospital and medical office uses will be extremely appealing to the Subject's targeted demographic, which are primarily seniors in need of assistance with the activities of daily living (ADLs). In addition, the Subject will be just south of the new Del Webb active adult development.** It is expected that as a number of these residents age and need assistance, they naturally will be drawn to Town Center due to its prime and proximal location to the south.

Considering its prime location within the large mixed-use development and proximity to the complementary Del Webb community, the calculated location adjustment for Town Center is 6.6%. The location adjustment adds a premium of $232 per month or $0.40 per square foot to the rent recommendation.

Tiered Rate And Flat Rate Pricing Recommended

There are a number of ways in which to price senior living services. A brief description of the different pricing structures follows:

- **A-La-Carte**: Residents are charged a base rate for all basic services. Additional services are charged on an individual need.
- **Tiered Rate**: Residents are charged a flat rate for services on a per diem rate based upon their care level. Typically, a need assessment of each resident is performed to determine the care level required for the individual and the amount of staff assistance needed. This structure has been widely accepted by assisted living providers.
- **Flat Rate**: Residents are charged a flat fee based on the unit they occupy.
- **Extensive Agreement**: Residents are charged one flat fee regardless of care level (congregate care, assisted living or nursing). This is normally found in older life-care communities or continuing care retirement communities (CCRCs).

Meyers recommends a tiered rate pricing structure for the Subject's assisted living and memory care beds, and a flat rate pricing structure for its independent living units. The following services should be included as part of the Base/Level I assisted living/memory care rates:

- 3 meals per day (including snacks)
- Weekly housekeeping services
- All utilities except phone
- Emergency-call system
- 24-hour staff
- On-going health evaluations
- Assistance with dressing and bathing
- Assistance with medication scheduling and reminders
- Mobility assistance
- Nutritional assistance
- Planned activities
- Scheduled transportation

Most Facilities Charge a Base Rate Plus Additional Care $

A breakdown of the levels of care charges at the comparables are summarized below.

	Assisted Living				Memory Care		
Comparable	Level II	Level III	Level IV	Level V	Level II	Level III	Level IV
Palmilla Senior Living	$895	$1,390	$1,985	$2,535	N/A		
The Rio Grande Gracious	N/A				N/A		
Paloma Landing	N/A				N/A		
Ravenna Assisted Living	All-Inclusive				N/A		
The Woodmark at Uptown	Costs based on individual assessments				Costs based on individual assessments		
Atria Vista Del Rio	$375	$750	$1,125	-	$650	-	-
Westwind House	All-Inclusive				N/A		
Brookdale Place Valencia	$545	$1,030	$1,510	$2,000	N/A		
Albuquerque Grand	Base IL rates plus two AL service packages: $1,550-$2,000				N/A		

Palmilla Senior Living, The Woodmark at Uptown, Atria Vista Del Rio, Brookdale Place Valencia and Albuquerque Grand Senior Living each quote base rates and then charge for additional care. It is noted that Albuquerque Grand Senior Living actually quotes a base independent living rate for all of its units. For purposes of this analysis, we adjusted its assisted living rates upward by $1,550 per month.

Westwind House and Ravenna Assisted Living are the only comparables charging all-inclusive monthly rates (i.e., no additional care charges). A downward adjustment of $750 was applied to the assisted living monthly rents at these two properties.

Only two of the comparables offer memory care. The Woodmark at Uptown quotes a base monthly rate and then charges additional fees depending on individual assessments. Atria Vista Del Rio, on the other hand, offers one level of care beyond the base level at a rate of $650 per month.

Based upon the prevailing levels of care charges in the market, we recommend additional care charges of $400 per month for Level II, $800 per month for Level III, and $1,200 per month for Level IV for the Subject's assisted living component, and then $650 per month for Level II for its memory care component.

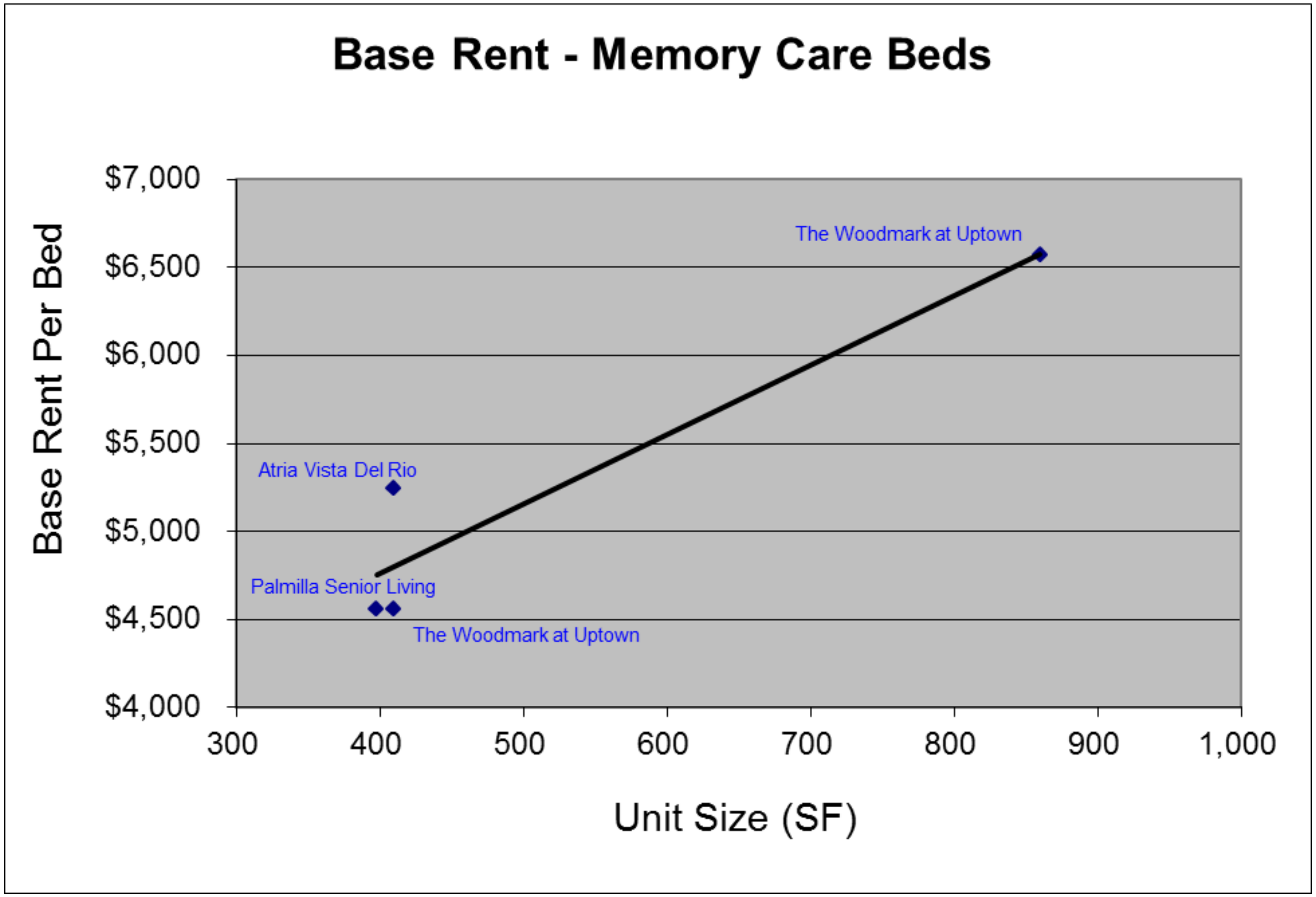
Base Rent of $3,233 Indicated for Assisted Living Beds

The base rent table specific to assisted living beds is as follows.

Assisted Living Trend Line:
Slope = 6.4266
Intercept = 462.43
Ex: ((6.4266 x 400SF) + 462.43)) x (1+0.066 loc adj) = **$3,233**

Base Rent of $4,924 Indicated for Memory Care Beds

The base rent table specific to memory care beds is as follows.



Memory Care Trend Line:
Slope = 28.1333
Intercept = -6634.17
Ex: ((28.1333 x 400SF) + -6634.17)) x (1+0.066 loc adj) = **$4,924**

Base Rent of $2,561 Indicated for Independent Living Units

The base rent table specific to independent living units is as follows.

Independent Living Trend Line:
Slope = 2.9223
Intercept = 1233.98
Ex: ((2.9223 x 400SF) + 1233.98)) x (1+0.066 loc adj) = **$2,561**

Average Rent of $3,749 Per Month Concluded

Using the data presented in the trend line, the estimated "base" rent for each subject unit was derived through the use of the following formula:

Predicted Base/Level I Rent per Unit = Slope x Unit Size + Intercept x (1+Location Adjustment)

After estimating the "Base/Level I" rates for each of the subject's bed/unit types, the values associated with the project's design and levels of care were added to the "Base/Level I" rent estimate to arrive at an indicated market rent. **All rental rates are stated in December 2014 dollars**. However, the rental rates do take into account an upward age adjustment assuming that the Town Center development comes online in 2018.

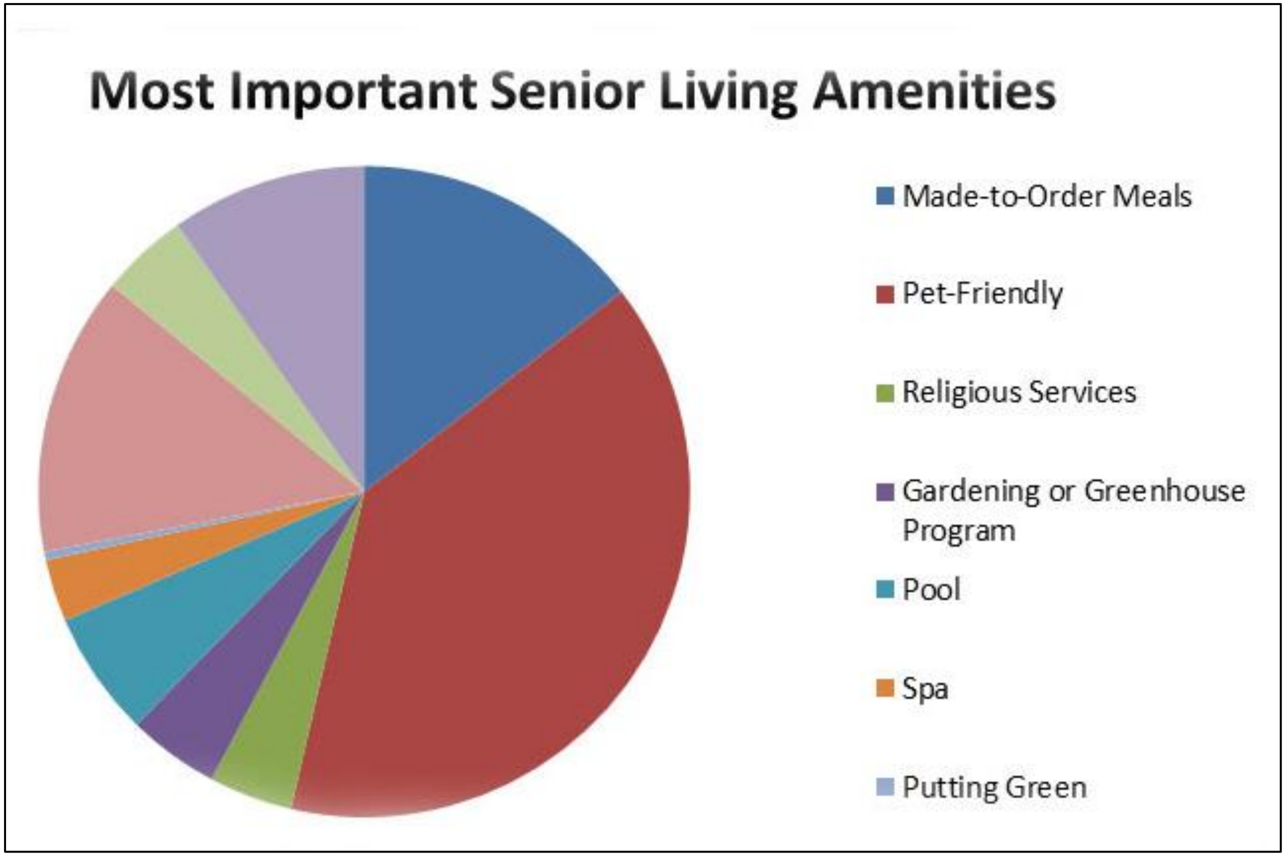
						Per Bed/Unit	
Unit Type	Level of Care	Units	Beds	% of Mix	Size (SF)	Monthly Rent	PSF
AL-Efficiency	Base/Level I	40	40	12.1%	400	$3,233	$8.08
AL-One Bedroom	Base/Level I	80	80	24.2%	600	$4,603	$7.67
MC-Efficiency	Base/Level I	30	30	9.1%	400	$4,924	$12.31
IL-Efficiency	N.A.	50	50	15.2%	400	$2,561	$6.40
IL-One Bedroom	N.A.	90	90	27.3%	600	$3,184	$5.31
IL-Two Bedroom	N.A.	40	40	12.1%	1,000	$4,430	$4.43
Total/Average		**330**	**330**	**100.0%**	**576**	**$3,749**	**$6.51**

It is noted the preceding assisted living rates are for Base/Level I care. Based upon the prevailing levels of care charges in the market, we recommend additional care charges of $400 per month for Level II, $800 per month for Level III, and $1,200 per month for Level IV. A flat, all-inclusive rate is recommended for the memory care beds.

Pet Friendly, Meals & On-Site Physician Most Important

According to a survey recently conducted by *A Place for Mom*, the most important senior living amenities are listed below.

- Pet friendly (39.79%)
- Made-to-order meals (13.89%)
- On-site physician (13.89%)
- Beautician (9.47%)
- Pool (6.32%)
- Gardening/greenhouse program (4.63%)
- Luxurious interior design (4.42%)
- Religious services (4%)
- Spa (3.16%)
- Putting green (0.42%)



Top-Of-The-Market Amenity Package Recommended

A summary of the recommended amenities for Town Center versus the comparables is shown in the tables. **Meyers recommends a top-of-the-market amenities package in order to position the Subject against the existing inventory as well as future pipeline additions.**

Community	24-hour Emergency Call System	Secured Memory Care Building	Dining Type	Scheduled Transportation	Scheduled Activities	Activity/ Game Room	Bistro/ Country Store	Chapel
Town Center	**Yes**	**Yes**	**Restaurant-style**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Palmilla Senior Living	Yes	Yes	Restaurant-style	Yes	Yes	Yes	No	Yes
The Rio Grande Gracious	Yes	No	Restaurant-style	Yes	Yes	Yes	Yes	Yes
Paloma Landing	Yes	No	Restaurant-style	Yes	Yes	Yes	No	Yes
Ravenna Assisted Living	Yes	No	Traditional-style	Yes	Yes	Yes	No	No
The Woodmark at Uptown	Yes	Yes	Restaurant-style	Yes	Yes	Yes	Yes	No
Atria Vista Del Rio	Yes	Yes	Restaurant-style	Yes	Yes	Yes	Yes	Yes
Westwind House	Yes	No	Traditional-style	Yes	Yes	Yes	No	No
Brookdale Place Valencia	Yes	No	Restaurant-style	Yes	Yes	Yes	No	No
Albuquerque Grand	Yes	No	Traditional-style	Yes	Yes	Yes	Yes	No

Community	Library	Patios/ Gardens	Movie Theater	Billiards Room	Business/ Computer Center	TV Lounge	Fitness/ Therapy Room	Beauty Shop
Town Center	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Palmilla Senior Living	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The Rio Grande Gracious	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Paloma Landing	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Ravenna Assisted Living	No	No	No	No	Yes	Yes	Yes	Yes
The Woodmark at Uptown	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Atria Vista Del Rio	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Westwind House	No	No	No	No	No	Yes	Yes	Yes
Brookdale Place Valencia	Yes	Yes	No	Yes	No	Yes	Yes	Yes
Albuquerque Grand	Yes	No	No	Yes	No	Yes	Yes	Yes

Efficiency And One Bedroom Units Most Prevalent in Market

The unit mix analysis consists of analyzing the current offerings offered at the comparables. Meyers surveyed eight comparable properties (or 1,070 units) in December 2014.

The assisted living comparables offer a majority of efficiency floor plans (55.0%) at an average size of 397 square feet. One bedrooms are the second highest unit type (38.0%) within the pool of inventory. The average one bedroom size is 547 square feet. Very few two bedrooms are offered (0.8%). It is noted that shared efficiency floor plans account for just 6.2% of the inventory.

In regards to memory care, a strong majority (73.7%) of the units are efficiencies at an average size of 364 square feet. The remaining inventory consists primarily of one bedroom units (25.0%) at an average size of 536 square feet. Just one two bedroom memory care unit is offered in the market.

Lastly, in regards to independent living, the majority of units are one bedrooms (57.8%), followed by efficiencies (27.3%). Of the total inventory, 14.3% are two bedrooms. A small percentage (0.6%) of shared efficiencies are offered.

	ASSISTED LIVING COMPARABLES				
	# Beds	% of Mix	Wtd. Avg. Unit Size (SF)	Minimum Unit Size (SF)	Maximum Unit Size (SF)
AL-Efficiency	213	55.0%	397	385	410
AL-Efficiency (Shared)	24	6.2%	633	562	704
AL-One Bedroom	147	38.0%	547	517	577
AL-Two Bedroom	3	0.8%	860	860	860
Totals/Wtd. Averages	**387**	**100.0%**	**473**	**450**	**495**

	MEMORY CARE COMPARABLES				
	# Beds	% of Mix	Wtd. Avg. Unit Size (SF)	Minimum Unit Size (SF)	Maximum Unit Size (SF)
MC-Efficiency	56	73.7%	364	341	387
MC-One Bedroom	19	25.0%	536	528	544
MC-Two Bedroom	1	1.3%	860	860	860
Totals/Wtd. Averages	**76**	**100.0%**	**414**	**395**	**433**

	INDEPENDENT LIVING COMPARABLES				
	# Beds	% of Mix	Wtd. Avg. Unit Size (SF)	Minimum Unit Size (SF)	Maximum Unit Size (SF)
IL-Efficiency	178	27.3%	370	358	381
IL-Efficiency (Shared)	4	0.6%	300	300	300
IL-One Bedroom	377	57.8%	563	537	589
IL-Two Bedroom	93	14.3%	999	902	1,096
Totals/Wtd. Averages	**652**	**100.0%**	**571**	**539**	**603**

Recommended Unit Mix for Town Center Senior Housing

The comparables are weighted towards efficiency floor plans in their assisted living and memory care components. Nearly all of the available units (99.3%) are private occupancy. Of the nine comparables, only two offer shared units. Ravenna Assisted Living offers a mix of private and shared assisted living units, while Westwind House offers a select number of shared units in both its assisted living and independent living components.

			Total % of Mix											Total % of Mix		
Property Name	Year Built	Total Beds	AL-Efficiency	AL-Efficiency (Shared)	AL-One Bedroom	AL-Two Bedroom	MC-Efficiency	MC-One Bedroom	MC-Two Bedroom	IL-Efficiency	IL-Efficiency (Shared)	IL-One Bedroom	IL-Two Bedroom	AL	MC	IL
Town Center	**2022**	**330**	**12%**	**0%**	**21%**	**0%**	**12%**	**0%**	**0%**	**15%**	**0%**	**27%**	**12%**	**33%**	**12%**	**55%**
Palmilla Senior Living	2013	159	10%	0%	25%	0%	15%	0%	0%	9%	0%	25%	16%	50%	0%	50%
The Rio Grande Gracious	2013	134	0%	0%	0%	0%	0%	0%	0%	27%	0%	67%	6%	0%	0%	100%
Paloma Landing	2008	118	0%	0%	0%	0%	0%	0%	0%	28%	0%	58%	14%	0%	0%	100%
Ravenna Assisted Living	2008	45	56%	44%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
The Woodmark at Uptown	1998	117	32%	0%	36%	3%	17%	11%	1%	0%	0%	0%	0%	88%	12%	0%
Atria Vista Del Rio	1997	148	27%	0%	21%	0%	8%	4%	0%	23%	0%	17%	0%	56%	4%	40%
Westwind House	1996	44	20%	9%	20%	0%	0%	0%	0%	20%	9%	20%	0%	50%	0%	50%
Brookdale Place Valencia	1993	198	30%	0%	0%	0%	0%	0%	0%	0%	0%	47%	22%	30%	0%	70%
Albuquerque Grand	1978	152	16%	0%	16%	0%	0%	0%	0%	34%	0%	34%	0%	33%	0%	67%
Comparable Total	**2000**	**1,115**	**19%**	**2%**	**13%**	**0%**	**5%**	**2%**	**0%**	**16%**	**0%**	**34%**	**8%**	**40%**	**2%**	**58%**

Plans are for the Subject to consist of 150 assisted living units and 180 independent living units. **The targeted bedroom distribution for the total 330 units includes 12% efficiencies and 21% one bedrooms in assisted living, 12% efficiencies in memory care, and 15% efficiencies, 27% one bedrooms and 12% two bedrooms in independent living**. Overall, this equates to 33% assisted living units, 12% memory care units and 55% independent living units.

The Subject, as recommended, will be well-positioned and competitive within the market area.

Recommended Unit Sizes for Town Center Senior Housing

The assisted living efficiency units at the comparables range from 326 to 443 square feet, with an average of 397 square feet. The shared efficiency floor plans range from 300 to 700 square feet, with an average of 633 square feet. The assisted living one bedroom units range from 452 to 627 square feet, with an average of 547 square feet. The assisted living two bedroom unit that is offered consists of 860 square feet.

In regards to memory care, the efficiency units range from 303 to 410 square feet, with an average of 364 square feet. The one bedroom memory care floor plans range in size from 506 to 550 square feet, with an average of 536 square feet. The two bedroom memory care floor plan that is offered consists of 860 square feet.

Lastly, the efficiency independent living units range from 365 to 415 square feet, with an average of 370 square feet. The shared efficiency floor plan that is offered consists of 300 square feet. The independent living one bedroom units range from 452 to 629 square feet, with an average of 563 square feet. And the independent living two bedroom floor plans range from 921 to 1,171 square feet, with an average of 999 square feet.

			Size of Units (Sq. Ft.)										
Property Name	Year Built	Total Beds	AL-Efficiency	AL-Efficiency (Shared)	AL-One Bedroom	AL-Two Bedroom	MC-Efficiency	MC-One Bedroom	MC-Two Bedroom	IL-Efficiency	IL-Efficiency (Shared)	IL-One Bedroom	IL-Two Bedroom
Town Center	**2022**	**330**	**400**	**-**	**600**	**-**	**400**	**-**	**-**	**400**	**-**	**600**	**1,000**
Palmilla Senior Living	2013	159	355	-	627	-	303	-	-	415	-	629	1,171
The Rio Grande Gracious	2013	134	-	-	-	-	-	-	-	370	-	593	1,025
Paloma Landing	2008	118	-	-	-	-	-	-	-	404	-	526	935
Ravenna Assisted Living	2008	45	400	700	-	-	-	-	-	-	-	-	-
The Woodmark at Uptown	1998	117	410	-	550	860	410	550	860	-	-	-	-
Atria Vista Del Rio	1997	148	385	-	506	-	410	506	-	385	-	506	-
Westwind House	1996	44	365	300	452	-	-	-	-	365	300	452	-
Brookdale Place Valencia	1993	198	443	-	-	-	-	-	-	-	-	595	921
Albuquerque Grand	1978	152	326	-	500	-	-	-	-	325	-	500	-
Comparable Average	**2000**	**1,115**	**397**	**633**	**547**	**860**	**364**	**536**	**860**	**370**	**300**	**563**	**999**

Meyers recommends a 400 square foot efficiency floor plan and a 600 square foot one bedroom floor plan for the Subject's assisted living component, a 400 square foot efficiency floor plan for its memory care component and a 400 square foot efficiency floor plan, 600 square foot one bedroom floor plan and 1,000 square foot floor plan for its independent living component. **The recommended unit sizes are well supported by the market and are near the highs of the ranges, giving it a competitive edge against the existing inventory as well as future pipeline supply**.

Unit Type Observations Considered in Recommendations

Meyers considered the following trends when determining an appropriate bed/unit mix for the Subject property:

- The assisted living comparables offer a majority of efficiency floor plans (55.0%) at an average size of 397 square feet. One bedrooms are the second highest unit type (38.0%) within the pool of inventory. The average one bedroom size is 547 square feet. Very few two bedrooms are offered (0.8%). It is noted that shared efficiency floor plans account for just 6.2% of the inventory.
- A strong majority (73.7%) of the memory care units are efficiencies at an average size of 364 square feet. The remaining inventory consists primarily of one bedroom units (25.0%) at an average size of 536 square feet. Just one two bedroom memory care unit is offered in the market.
- The majority of independent living units are one bedrooms (57.8%), followed by efficiencies (27.3%). Of the total inventory, 14.3% are two bedrooms. A small percentage (0.6%) of shared efficiencies are offered.
- Nearly all of the available units (99.3%) are private occupancy. Of the eight comparables, only one offers shared units. Westwind House offers a select number of shared units in both its assisted living and independent living components.
- The assisted living efficiency units at the comparables range from 326 to 443 square feet, with an average of 397 square feet. The shared efficiency floor plans range from 300 to 700 square feet, with an average of 633 square feet. The assisted living one bedroom units range from 452 to 627 square feet, with an average of 547 square feet. The assisted living two bedroom unit that is offered consists of 860 square feet.
- The memory care efficiency units range from 303 to 410 square feet, with an average of 364 square feet. The one bedroom memory care floor plans range in size from 506 to 550 square feet, with an average of 536 square feet. The two bedroom memory care floor plan that is offered consists of 860 square feet.
- The efficiency independent living units range from 365 to 415 square feet, with an average of 370 square feet. The shared efficiency floor plan that is offered consists of 300 square feet. The independent living one bedroom units range from 452 to 629 square feet, with an average of 563 square feet. And the independent living two bedroom floor plans range from 921 to 1,171 square feet, with an average of 999 square feet.
- Overall, Meyers' analysis indicates that the subject, as recommended, will be well-positioned and competitive within the market area.

Meyers' Recommended Bed/Unit Mix

	# Units	# Beds	% of Mix	Unit Size (SF)	% of Total	Wtd. Avg. Unit Size (SF)
AL-Efficiency	40	40	12.1%	400		
AL-One Bedroom	70	70	21.2%	600	33.3%	527
MC-Efficiency	40	40	12.1%	400	12.1%	400
IL-Efficiency	50	50	15.2%	400		
IL-One Bedroom	90	90	27.3%	600		
IL-Two Bedroom	40	40	12.1%	1,000	54.5%	633
Total/Wtd. Avg.	**330**	**330**	**100.0%**	**570**	**100.0%**	**570**

Senior Housing Trends for Albuquerque Metro Mixed

Market trends for the Albuquerque metro as a whole are shown in the following tables. The source of the data is NIC MAP.

In 3Q14, the overall assisted living occupancy increased 260 basis points to 91.5% from 88.9% the previous quarter. In comparison, the independent living occupancy dropped slightly by 160 bps to 89.2% from 90.8% during the same period. **It is noted that the stabilized occupancy figure for assisted living is currently 90.8%, while the figure for independent living is 88.7%.**

Year-over-year rent growth was -2.3% within the assisted living segment. However, market conditions are expected to improve to levels more inline with historicals. The current downward trend is well below the previous year's figure of 3.1%. In regards to **independent living, rent growth has been more stable**, with the exception of 1Q14 and 2Q14. As of 3Q14, year-over-year rent growth was 1.0%.

Limited new supply has come online in recent years. Although two known communities came online in 2013, the majority of inventory was constructed prior to 2000. Thus, **some of this lag in rent growth is due to there being a limited number of new communities in the market capable of pushing rents upward to levels above and beyond the aging existing inventory.**

MAJORITY AL

METRO TRENDS

	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth[1]
3Q2014	12	950	91.5%	90.8%	-3	-31	1	30	-2.3%
2Q2014	13	981	88.9%	91.4%	-35	-45	1	30	-2.9%
1Q2014	14	1,026	88.4%	92.3%	40	0	1	30	-1.3%
4Q2013	14	1,026	84.5%	90.1%	31	0	1	30	.0%
3Q2013	14	1,026	81.5%	88.6%	56	84	0	0	3.1%
2Q2013	14	942	82.8%	84.9%	28	76	1	85	2.5%
1Q2013	13	866	86.8%	87.8%	-8	0	1	159	3.5%
2012	13	866	87.8%	90.6%	39	67	1	159	.4%
2011	12	799	90.2%	90.2%	9	0	1	66	1.2%
2010	12	799	89.1%	89.1%	-5	0	0	0	.5%

MAJORITY IL

METRO TRENDS

	Existing Inventory		Occupancy		Quarterly Supply and Demand		Under Construction Inventory		
Period	# Properties	# Units/Beds	All Properties	Stabilized	Absorption	Inventory Growth	# Properties	# Units/Beds	YoY Rent Growth[1]
3Q2014	11	1,901	89.2%	88.7%	-31	0	0	0	1.0%
2Q2014	11	1,901	90.8%	90.8%	30	0	0	0	-.4%
1Q2014	11	1,901	89.2%	90.2%	48	0	0	0	-.4%
4Q2013	11	1,901	86.7%	87.8%	17	3	0	0	1.2%
3Q2013	11	1,898	85.9%	87.0%	47	0	0	0	1.4%
2Q2013	11	1,898	83.5%	88.2%	20	131	0	0	2.4%
1Q2013	10	1,767	88.5%	88.5%	12	2	1	131	3.6%
2012	10	1,765	87.9%	87.9%	13	58	1	131	3.5%
2011	10	1,707	90.2%	90.2%	-2	-1	1	58	4.3%
2010	10	1,708	90.2%	90.2%	16	-1	0	0	2.0%

Note: Assisted Living (AL), Independent Living (IL)

Limited Assisted Living Competition & Strong Occupancy

Within the Subject property's primary market area, the current inventory of assisted living units is relatively small and occupancy is strong. The PMA's occupancy rates are substantially higher than the overall rates reported in the Albuquerque metro.

Inventory of Assisted Living				
Property Name	**Type**	**Driving Distance from Subject (miles)**	**Number of Competitive Beds**	**Occupancy**
Westwind House 6600 Los Volcanes Road NW, Albuquerque	AL	3.3	44	98%
Ravenna Assisted Living 3051 Twin Oaks Drive NW, Albuquerque	AL	3.7	45	62% (lease-up)
Atria Vista Del Rio 1620 Indian School Road NE, Albuquerque	AL/MC/IL	9.2	89	98%
Albuquerque Grand 1501 Tijeras Avenue NE, Albuquerque	AL/IL	9.7	50	88%
The Woodmark at Uptown 7201 Prospect Place NE, Albuquerque	AL/MC	12.2	117	98%
Brookdale Place at Valencia 300 Valencia Drive SE, Albuquerque	AL	13.0	60	95%
Total Beds / Weighted Average Occupancy			**405**	**95%**

The weighted average occupancy for the existing inventory of assisting living (including memory care) within the PMA is 95%. It is noted that the Ravenna Assisted Living facility, which was constructed in 2008, changed ownership in early 2014 after several years of under-performing the market. It is currently in the initial lease-up stage with the new ownership/management group. It is reporting occupancy of 62% at this time. The 45-bed facility was previously known as Twin Oaks.

Note that bed licenses are granted based upon double occupancy in many rooms. In practice, a lesser number of rooms are typically occupied by more than one person. For this reason, we will analyze "operating beds" as opposed to licensed beds. Our analysis also disregards small board and care facilities in and around the market area, although we know such facilities to be present. Board and care facilities generally have less than 25 living beds, are operated by "mom and pop" type operators, and offer accommodations and services of lesser quality.

Limited MC & IL Competition & Strong Occupancy

Memory care inventory is a subset of overall assisted living. It is noted that several of the area assisted living communities allow residents with early stages of dementia. However, additional dementia-related services are typically not offered. Residents with advanced dementia are eventually moved into communities with a designated memory care component. There are only two communities within the Subject's PMA offering dedicated memory care components at this time. **The weighted average occupancy specific to memory care is indicated to be 98%.**

Inventory of Memory Care				
Property Name	Type	Driving Distance from Subject (miles)	Number of Competitive Beds	Occupancy
Atria Vista del Rio 1620 Indian School Road NE, Albuquerque	AL/MC/IL	9.2	18	98%
The Woodmark at Uptown 7201 Prospect Place NE, Albuquerque	AL/MC	12.2	34	98%
Total Beds / Weighted Average Occupancy			**52**	**98%**

Note that memory care facilities are normally licensed the same as "standard" assisted living facilities. Furthermore, it is relatively easy for facilities to begin or cease providing specialized demand care since the physical plant requirements are not significantly different, and since the license is not different.

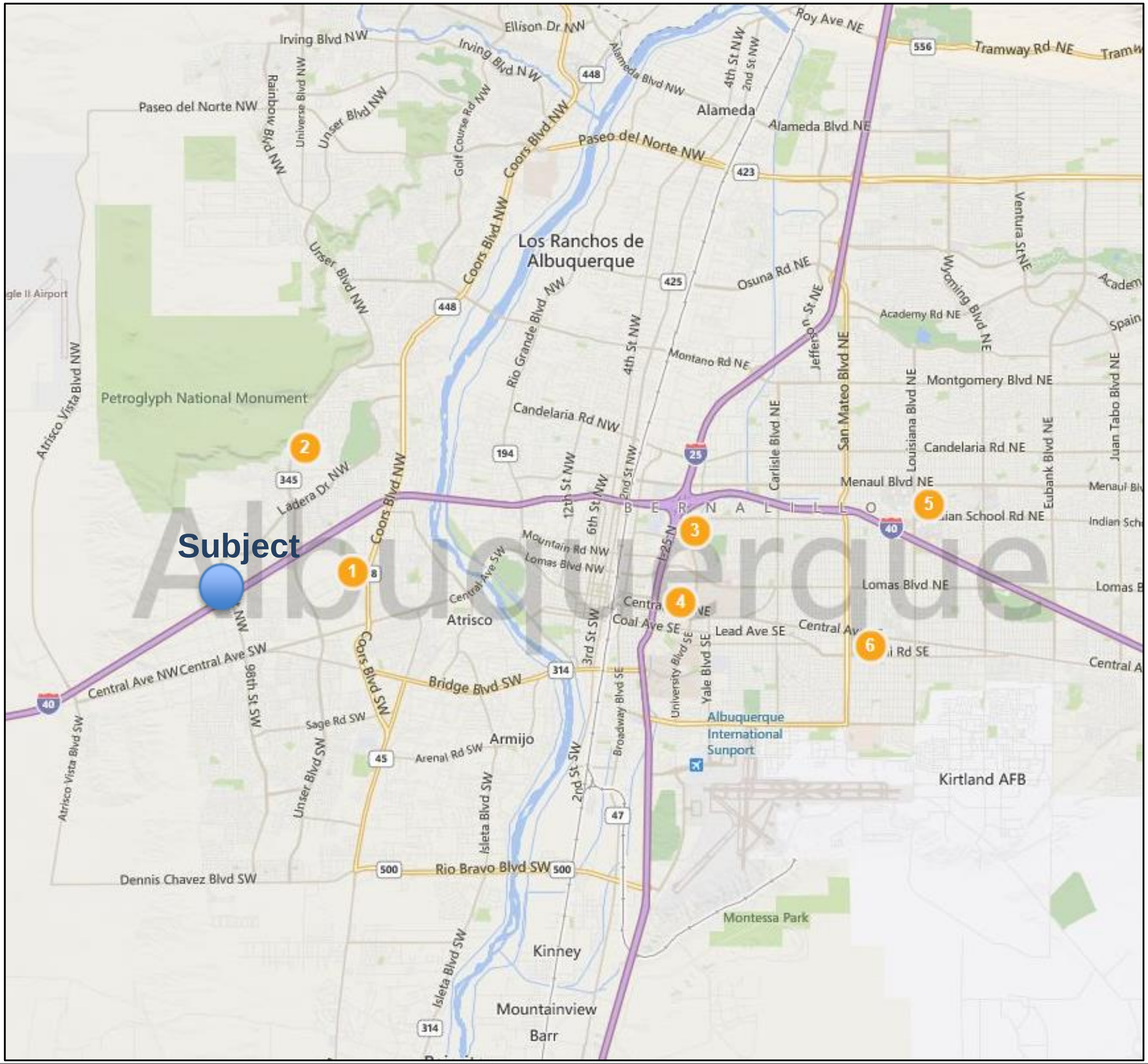
The existing inventory of independent living within the PMA is as follows. The weighted average occupancy is indicated to be 95%.

Inventory of Independent Living				
Property Name	Type	Driving Distance from Subject (miles)	Number of Competitive Units	Occupancy
Atria Vista del Rio 1620 Indian School Road NE, Albuquerque	AL/MC/IL	9.2	59	98%
Albuquerque Grand 1501 Tijeras Avenue NE, Albuquerque	AL/IL	9.7	102	94%
Brookdale Place at Valencia 300 Valencia Drive SE, Albuquerque	AL/IL	13.0	138	95%
Total Units / Weighted Average Occupancy			**299**	**95%**

Note that Meyers' supply and demand analysis excludes age restricted apartments (i.e., "seniors only" apartments) as such complexes do not offer services such as meals and housekeeping and in turn target a slightly different market niche.

Six Comparables Located Near Interstate 40

1. Westwind House
2. Ravenna Assisted Living
3. Atria Vista Del Rio
4. Albuquerque Grand Senior Living
5. The Woodmark at Uptown
6. Brookdale Place at Valencia

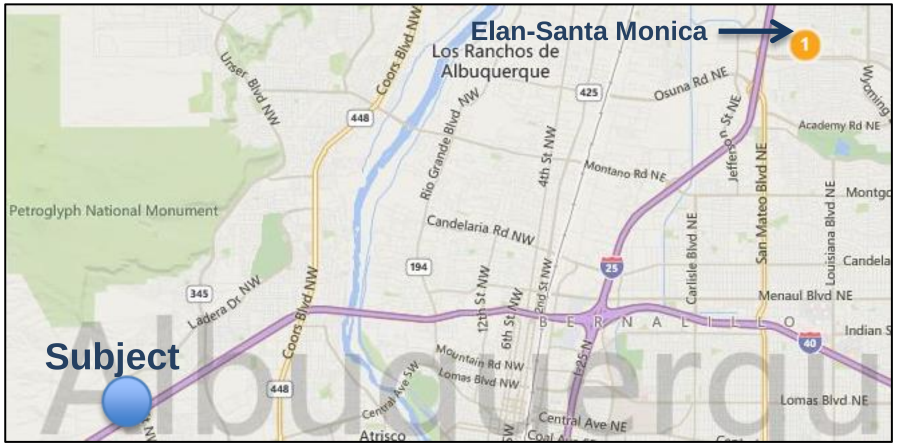


Limited Supply in Planning or Under Construction Today

After researching the market area, including interviewing city officials, **we found there to be one new competitive pipeline project, other than the subject, to be planned or under construction at this time.**

Elan-Santa Monica is currently under construction at 6401 Santa Monica Avenue NE, just east of Interstate Highway 25. Although located along the outskirts of the Subject's PMA, which is defined as the area within a 20-minute drive time of the site, this community is expected to compete with the Subject due to its upscale boutique design and extensive amenity offerings. The $10 million project will consist of 74 assisted living beds and 36 memory care beds and will feature a chef-operated restaurant, café, bar, beauty salon, wellness center and concierge services. The developer is Titan Senior Living. Once completed, the community will be operated by Life Care Services.

The Subject property is in a market with limited barriers to entry. Vacant sites are plentiful and zoning and building permits are easily obtained. Thus, it is likely that future competition will be developed as demand warrants it.



Supply of Assisted Living Under Construction or Proposed

Property Name	Current Status	Driving Distance from Subject (miles)	Number of Competitive Beds
Subject-Town Center NWQ of 98th Street and Interstate 40, Albuquerque	Planned	0.0	150
Elan-Santa Monica 6401 Santa Monica Avenue NE, Albuquerque	Under Construction	13.2	110
Relevant Supply Likely to be Complete Within 24 Months			**260**

Supply of Memory Care Assisted Living Under Construction or Proposed

Property Name	Current Status	Driving Distance from Subject (miles)	Number of Competitive Beds
Subject-Town Center NWQ of 98th Street and Interstate 40, Albuquerque	Planned	0.0	40
Elan-Santa Monica 6401 Santa Monica Avenue NE, Albuquerque	Under Construction	13.2	36
Relevant Supply Likely to be Complete Within 24 Months			**76**

Supply of Independent Living Under Construction or Proposed

Property Name	Current Status	Driving Distance from Subject (miles)	Number of Competitive Units
Subject-Town Center NWQ of 98th Street and Interstate 40, Albuquerque	Planned	0.0	180
Relevant Supply Likely to be Complete Within 24 Months			**180**

Demand Based on Age, Adult Children & Income

The following were considered in estimating demand for assisted living and memory care in the Subject's PMA.

- The Subject's target market group consists of the **"age qualified" population that has adequate income to live in a seniors housing community and "adult children" who are caregivers for an elderly relative**.
- Assisted living communities typically have a minimum age requirement of 62, while the majority of residents are in excess of 75+ based on national research. **For purposes of estimating demand in the PMA, we will use a qualifying minimum age of 75**.
- Children and/or other relatives of seniors generally play a significant role in the placement of a senior in a seniors housing facility. **Market areas where there are large concentrations of persons in the 45 to 64 age group can often support significantly larger supply of senior housing** than would be indicated through analysis of seniors already residing in the area. In many cases, more than 50% of the residents are brought in from outside of a submarket by adult child caregivers that live in the submarket.
- **The U.S. Census Bureau reports that 15.4% of seniors age 75 to 79 require assistance with the activities of daily living (ADLs) and/or instrumental activities of daily living (IADLs). For seniors 80+, that dependency increases up to 30.2%.** Taking into account the proportion of seniors age 75 to 79 versus seniors age 80+ within the PMA, a figure of <u>24.2% will be used in the analysis</u>. Definitions and examples of ADLs and IADLs are in the Appendix.

The qualifying income amounts to live in a seniors housing community vary by region throughout the United States. Some operators consider $25,000 to be the minimum "qualifying" income, while many use $35,000 as the benchmark. Several developers of high-end communities use $50,000 as the threshold. **Meyers concludes a minimum "qualifying" income of $35,000 to be appropriate for the Subject** property's PMA considering prevailing income levels, housing values, and its overall cost of living. The total income qualifying senior households age 75+ are calculated in the tables for the current year of 2014 as well as the forecasted year of 2019.

Total Income Qualifying Senior Households 75+ - Year 2014			
Income Range	Total # Senior Households	% Income Qualified	Income Qualified Senior Households
Less than $15,000	2,104	0.0%	0
$15,000-$24,999	2,802	0.0%	0
$25,000-$34,999	2,023	0.0%	0
$35,000-$49,999	1,480	100.0%	1,480
$50,000-$74,999	1,037	100.0%	1,037
$75,000-$99,999	378	100.0%	378
$100,000-$124,999	286	100.0%	286
$150,000-$199,999	91	100.0%	91
$200,000 or more	54	100.0%	54
Total Income Qualifying Senior Households			3,326

Total Income Qualifying Senior Households 75+ - Year 2019			
Income Range	Total # Senior Households	% Income Qualified	Income Qualified Senior Households
Less than $15,000	2,406	0.0%	0
$15,000-$24,999	2,357	0.0%	0
$25,000-$34,999	2,085	0.0%	0
$35,000-$49,999	2,019	100.0%	2,019
$50,000-$74,999	1,340	100.0%	1,340
$75,000-$99,999	578	100.0%	578
$100,000-$124,999	412	100.0%	412
$150,000-$199,999	150	100.0%	150
$200,000 or more	127	100.0%	127
Total Income Qualifying Senior Households			4,626

Adult Children Play Significant Role in Where Seniors Live

Children and/or other relatives of seniors generally play a significant role in the placement of a senior in a seniors housing facility. Market areas where there are large concentrations of persons in the 45 to 64 age group can often support significantly larger supply of seniors housing than would be indicated through analysis of seniors already residing in the area. **This is because in-migration of seniors into markets with large adult child populations is common, as the elderly are often relocated to a facility near the home of their adult children or other relative**. Many operators and developers of seniors housing have recognized the importance of the adult child population and in turn target and market to the adult child population.

Meyers Research's experience with surveying and touring seniors housing communities nationally indicates that the decision for a senior to move into a facility is primarily made by an adult child caregiver. Additionally, in many markets, more than 50% of the residents are brought in from outside of a given submarket by adult child caregivers that live in the submarket. The Urban Land Institute's *Analyzing Seniors' Housing Markets* reports that nearly 84% of residents in assisted living said that their daughter or son was involved in their decision to move, and that 55% said they were the most influential person in their decision to move.

Adult Child (45-64) Population

Item	PMA	Albuquerque MSA
Total Population		
2014 Population	328,983	908,706
Adult Child (45-64) Population		
2014 Population 45-64	76,309	238,240
2014 Age 45-64 Pop. As % of Total Pop.	23.20%	26.22%
75 Plus Population		
2014 Population 75+	15,435	50,909
2014 Age 75+ Pop. As % of Total Pop.	4.69%	5.60%
Ratio of Adult Children to Population 75+ - Year 2014		
2014 Population 45-64	76,309	238,240
2014 Population 75+	15,435	50,909
Ratio of Adult Children to Population 75+	4.9	4.7
Ratio of Adult Children to Population 75+ - Year 2019		
2019 Population 45-64	74,290	233,122
2019 Population 75+	17,565	58,034
Ratio of Adult Children to Population 75+	4.2	4.0

Subject PMA In-Migration Growth Expected

The table is from the Assisted Living Federation of America's *Assisted Living Industry Overview*. The primary market area for urban facilities is generally from 5 to 10 miles, for suburban facilities 5 to 20 miles, and for small town and rural facilities is 20 to 30 miles.

The ratio of adult children population to 75+ population is 4.9 in the PMA which is slightly higher than the Albuquerque MSA of 4.7. This is an indication that **the PMA contains a number of adult children whose parents may be residing elsewhere. Therefore, the PMA may experience strong in-migration, as seniors tend to relocate near children when they have a need for assisted living.** Looking forward to year 2019, the ratio is expected to be less at 4.2 for the PMA and 4.0 for the MSA.

For 2014, we will use a targeted population age 75+ of 16,306 based on the national ratio of adult children to population age 75+. This equates to an estimated **net-in-migration figure of 871 households**. **For 2019**, we will use a targeted population age 75+ of 18,494, which equates to a **net in-migration estimate of 929 households**.

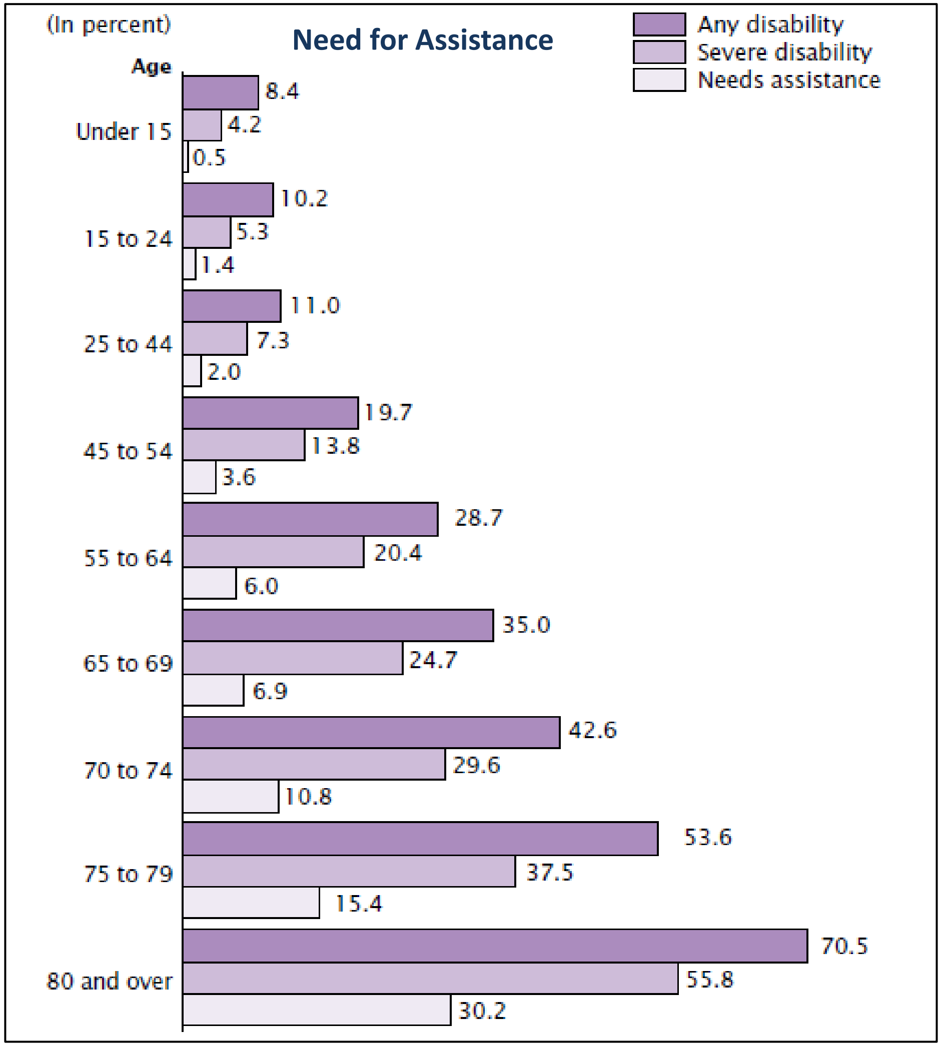
Distance Residents Relocated From			
Distance	Assisted Living	Assisted & Independent Living	CCRC
15 to 25 miles	7.3%	5.9%	6.0%
25 miles or more	12.4%	15.3%	11.9%
10 to 15 miles	20.0%	15.3%	13.4%
5 to 10 miles	20.4%	20.0%	16.4%
Less than 5 miles	40.0%	43.5%	52.2%

Net In-Migration Estimate for PMA - Year 2014	
Item	PMA
Total Population	
2014 Population 45-64	76,309
National Ratio of Adult Children to Population 75+	4.7
Targeted Population 75+	16,306
Actual 2013 Population 75+	15,435
Net In-Migration Estimate for 2014	**871**

Estimated Demand from In-Migration - Year 2019	
Item	PMA
Total Population	
2019 Population 45-64	74,290
National Ratio of Adult Children to Population 75+	4.0
Targeted Population 75+	18,494
Forecasted 2018 Population 75+	17,565
Net In-Migration Estimate for 2019	**929**

Seniors Requiring Assistance with ADLs and IADLs at 24.2%

The disability data is from the U.S. Census Bureau. **Of the seniors age 75 to 79, 15.4% need assistance with ADLs and IADLs. This is much lower than the age cohort 80 and over, which shows that 30.2% need assistance**.



Taking into account the proportion of seniors age 75 to 79 versus seniors age 80+ within the PMA, a figure of 24.2% will be used in the analysis.

Qualified Households in Need of Care - Year 2014				
Total Age and Income Qualifying Households	X	Percentage of Households in Need of Care	=	Qualified Households in Need of Care
11,124	X	24.2%	=	2,693

Qualified Households in Need of Care - Year 2019				
Total Age and Income Qualifying Households	X	Percentage of Households in Need of Care	=	Qualified Households in Need of Care
12,404	X	24.2%	=	3,003

Demand for Assisted Living (including Memory Care)

The table shows the calculation of demand for assisted living (including memory care).

Calculation of Demand for Assisted Living (including Memory Care)						
	Year					
Item	2014	2015	2016	2017	2018	2019+
Total Households 75+	10,253	10,497	10,693	10,849	10,974	11,475
Plus In-Migration of Additional Households 75+	871	883	892	899	905	929
Net Households 75+	11,124	11,380	11,585	11,749	11,880	12,404
Times % Requiring Assistance with ADLs and IADLs - Households 75+	24.2%	24.2%	24.2%	24.2%	24.2%	24.2%
Number of Households 75+ Requiring Assistance with ADLs and IADLs	2,693	2,755	2,805	2,844	2,876	3,003
Times % of Income Qualified Households 75+	32.4%	34.0%	35.3%	36.3%	37.1%	40.3%
Demand for Assisted Living (including Dementia Care)	**874**	**937**	**989**	**1,032**	**1,067**	**1,211**

A comparison of supply and demand for assisted living (including memory care) is shown in the table below.

Comparison of Supply and Demand for Assisted Living (including Memory Care)						
	Year					
Item	2014	2015	2016	2017	2018	2019+
Demand for Assisted Living (including Dementia Care)	874	937	989	1,032	1,067	1,211
Supply of ALF/MC Beds						
Existing Supply of ALF/MC Beds	405	405	515	515	515	665
Pipeline Supply of ALF/MC Beds	0	110	0	0	0	0
Subject's ALF/MC Beds	0	0	0	0	150	0
Total Supply of ALF/MC Beds	405	515	515	515	665	665
Unmet Demand for ALF/MC Beds	**469**	**422**	**474**	**517**	**402**	**546**

Memory Care Demand Estimated at 30% of Assisted Living

Demand for memory care is a subset of overall assisted living demand. Memory care facilities are normally licensed the same as "standard" assisted living facilities. Furthermore, it is relatively easy for facilities to begin or cease providing specialized memory care since the physical plant requirements are not significantly different, and since the license is not different. We have previously determined demand for all assisted living, including dementia.

As of the 3rd quarter of 2014, NIC MAP reported that there were 205,810 assisted living units and 55,136 memory care units in the primary markets. The combined assisted living supply count inclusive of memory care was 260,946 units. **The memory care assisted living supply figure in turn equated to 21.1% of the total assisted living supply figure. The average occupancy was 90.8% for assisted living and 88.3% for memory care, indicating that demand between the two segments is near a balanced level.** Thus, based upon this comparison, memory care demand would be 21.1% of total demand for assisted living.

However, we believe this provides just a starting point, and in fact understates potential demand for memory care for several reasons. Firstly, memory care units are much more likely to be semi-private than traditional assisted living, and the statistics noted above are based upon units, not beds. Thus, the quantity of dementia units above has a much higher level of double occupancy, thus the demand on a bed, rather than unit basis, would be much higher as a percent of total demand. Furthermore, many residents of traditional assisted living have mild to moderate dementia, and would be better suited for residency in a dementia facility, but the supply of memory care units is lacking in many markets. **Major operators of memory care facilities such as JEA and Benchmark believe that demand for memory care is as high as 30% of total assisted living demand. Based upon this, we will estimate demand for memory care at 30% of total demand**. For memory care assisted living, the supply and demand conclusions are shown below utilizing 30% of the overall assisted living demand for memory care. Note that according the Alzheimer's Association more than 50% of residents within assisted living homes have some form of dementia or cognitive impairment. However, in some cases the dementia is mild and does not necessitate the resident being in a 100% secure memory care unit.

A comparison of supply and demand for memory care is shown in the table.

Comparison of Supply and Demand for Memory Care

	Year					
Item	2014	2015	2016	2017	2018	2019+
Demand for Memory Care	262	281	297	310	320	363
Supply of MC Beds						
Existing Supply of MC Beds	52	52	88	88	88	128
Pipeline Supply of MC Beds	0	36	0	0	0	0
Subject's MC Beds	0	0	0	0	40	0
Total Supply of MC Beds	52	88	88	88	128	128
Unmet Demand for MC Beds	**210**	**193**	**209**	**222**	**192**	**235**

Demand Estimate for Independent Living

The table shows the calculation of demand for independent living.

Calculation of Demand for Independent Living						
	Year					
Item	2014	2015	2016	2017	2018	2019+
Total Households 75+	10,253	10,497	10,693	10,849	10,974	11,475
Plus In-Migration of Additional Households 75+	871	883	892	899	905	929
Net Households 75+	11,124	11,380	11,585	11,749	11,880	12,404
Times % Not Requiring Assistance - Households 75+	75.8%	75.8%	75.8%	75.8%	75.8%	75.8%
Number of Households 75+ Not Requiring Assistance	8,431	8,625	8,780	8,904	9,004	9,401
Times Renter % - Households 75+	25.6%	25.6%	25.6%	25.6%	25.6%	25.6%
Number of Renter Households 75+ Not Requiring Assistance	2,158	2,208	2,248	2,279	2,305	2,407
Times % of Income Qualified Households 75+	32.4%	34.0%	35.3%	36.3%	37.1%	40.3%
Demand for Independent Living	**700**	**751**	**793**	**827**	**855**	**970**

A comparison of supply and demand for independent living is shown in the table.

Comparison of Supply and Demand for Independent Living						
	Year					
Item	2014	2015	2016	2017	2018	2019+
Demand for Independent Living	700	751	793	827	855	970
Supply of Independent Living						
Existing Supply of ILF Units	299	299	299	299	299	479
Pipeline Supply of ILF Units	0	0	0	0	0	0
Proposed Subject's ILF Units	0	0	0	0	180	0
Total Supply of ILF Units	299	299	299	299	479	479
Unmet Demand for ILF Units	**401**	**452**	**494**	**528**	**376**	**491**

330 Senior Housing Units Can be Absorbed in 24 Months

According to the NIC MAP, **the national median move-in rate for assisted living is 2.5 beds per month as of 3Q14**. The lower quartile figure is 1.6 beds/units per month while the upper quartile figure is 4.4 beds per month. The median figure is 2.3 beds/units per month. **In regards to memory care, the median figure is 1.4 beds/units per month**. The lower quartile and upper quartile figures are 1.0 and 2.0 beds/units per month. **Lastly, the median move-in rate for independent living 3.5 units per month**, while the lower quartile figure is 2.2 units per month and the upper quartile figure is 5.8 units per month.

The following two communities came online in 2013: Westwind House and The Rio Grand Gracious Retirement. Specific details regarding the lease-up pace at these two communities, however, was not available at the time of survey. With the exception of Paloma Landing, which was built in 2008, the majority of the existing inventory was constructed prior to 2000.

It is noted that the Subject (i.e., Town Center) will be located just south of the new Del Webb active adult development. The Del Webb community will be part of a larger planned community known as Mirehaven, both of which are being developed by Pulte Homes. Plans are initially for 600 homes with an estimated couple thousand more after that. It is expected that as a number of these residents age and need assistance with the activities of daily living (ADLs), they naturally will be drawn to Town Center due to its prime and proximal location to the south.

Town Center will consist of 150 assisted living units (including 40 memory care units) and 180 independent living units. **Considering the preceding move-in rates, the 330-unit development will be absorbed within 24 months. This assumes a pre-leasing figure of 20% and stabilized occupancy of 95%.**

Hotel Market Analysis

For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Prepared by Maurice Robinson & Associates, LLC.

Phased Hotel Development is Not Feasible Until After 2020

The findings of our research and conclusions are summarized below and on the following pages:

- At present the lodging demand drivers local to the Town Center are not sufficient in depth and diversity to provide market justification for the development of one or more hotels at that location within the next five years.
- This noted, in the longer run, out past the year 2020, additional hotel demand on the Town Center's "doorstep" generated from: A) expected progress in the build-out of the Town Center itself, including the hospital, and surrounding master-planned residential communities, particularly within Santolina; in conjunction with B) new residential development-associated increases in area commercial activity; and C) the anticipated expansion and increased utilization of the Westside Sports Complex, may reasonably be expected to collectively warrant the phased construction of the two planned hotel properties and their combined 206 guest rooms. **This assumes that in the interim, and concurrent to the development of the two hotels, that no additional competitive lodging supply will be built nearby**.
- The following table summarizes the proposed phased development of the two Town Center hotels (it is expected that each hotel's construction will take from 12 to 14 months to complete subsequent to ground breaking):

Year	2020	2021	2022	2023	2024	2025	2026	2027+
# of Hotels	0	0	1	1	1	2	2	2
# of Rooms Online	0	0	103	103	103	206	206	206

- **Both of the Town Center hotels should be flagged with national brands** to provide them greater market visibility and broader distribution channels as an important means to mitigate for the hotels' pioneering, urban-perimeter location in a relatively weak regional lodging market.
- **The hotels should be positioned in the midscale or upper-midscale class/price point (i.e., 2-star level)**, in keeping with both the preponderance of regional lodging products and the Town Center's and nearby new residential communities' envisioned scale and character. Examples of upper-midscale brands that may warrant consideration for the Town Center sites include Holiday Inn Express, Fairfield Inn by Marriott and Hampton Inn as business-style select-service brands, and TownePlace Suites and Home2Suites as extended-stay brands.
- **The hotels should potentially include a mix of standard select-service and extended-stay accommodations** to cover a relatively broad guest demographic as one means to drive occupancy and increase the hotels' overall viability. The extended-stay component may target, in particular, local residential move-in-, medical service- (hospital) and Westside Sports Complex-sourced demand.

Albuquerque Hotel Market Considered Weak with Low ADRs

- **Albuquerque has historically been and continues to be a slow hotel marketplace with few significant guest demand drivers**. Accordingly, occupancies and average daily rates (ADRs) for hotel properties ranging from economy to upscale across the region have been, and are expected to continue to be, relatively low. This makes it difficult to justify the construction of new lodging product in any class unless in near proximity to one or more sustained, material demand drivers such as the Albuquerque International Sunport Airport ("AISA"). There are no luxury products currently operating in the market, and relatively few full-service, upper-upscale hotels.
- Within the region's lodging sub-markets, **the Westside has itself proven a particularly weak area dominated by older, economy products with low ADRs**. Since 2000, it appears that only three new lodging properties have opened on the Westside, two of which are Native American developments with casinos. This is despite the unprecedented nationwide hotel development boom during the mid-2000s.
- The three lodging supply additions on the Westside since the year 2000 include:
  1. The Route 66 Casino Hotel (154 rooms opened in 2007), developed by the Pueblo of Laguna, is an economy lodging product that generates its own overnight guest demand through a 50,000 square-foot gaming floor;
  2. Hampton Inn & Suites (88 rooms opened in 2006), an upper-midscale lodging property just west of the Rio Grande River and about 2 miles east of the Town Center site. It is located adjacent to a collection of older economy and midscale lodging properties at the interchange of Interstate 45 and Coors Road, a major Westside interchange whose guest demand is driven in part by visitors to Petroglyphs National Monument, which has its main entrances just to the north; and
  3. The Isleta Resort & Casino (201 rooms opened in 2008), developed by the Pueblo of Isleta to the south of the Town Square site, an upscale resort product that generates its own overnight guest demand with its 100,000 square foot gaming floor, on-property golf course, and other destination resort amenities. From 2010 through 2013, the property was branded a Hard Rock Hotel & Casino; it is unclear why the Hard Rock brand was terminated.
- **None of the five new hotel projects in Albuquerque's development pipeline as of the date of this report (both under construction and in active planning) are located on the Westside**. In fact, three of the five are in proximity to the airport; one is adjacent the University of New Mexico Campus (and still not too far from the airport); and the remaining property is located adjacent to the historic Albuquerque Hotel in the City's old town, will actually share the Albuquerque Hotel's ballroom, pool and chapel, and itself is only about fifteen minutes from the airport. (Source: Smith Travel Research, 2014)

Town Center's Annual Hotel Revenue Schedule

- The following table summarizes the projected average occupancy, ADR and associated revenue performance of the two proposed Town Center hotels:

Year	2022	2023	2024	2025	2026	2027	2028
# of Hotel Rooms	103	103	103	206	206	206	206
Average Occupancy[1]	65%	65%	65%	65%	65%	65%	65%
Average Daily Rate[1]	$95	$98	$101	$104	$107	$110	$113[2]
Total Rooms Revenues	$1,485,876	$1,936,978	$2,463,071	$4,160,620	$4,729,661	$5,382,929	$5,544,417[2]
Total All Revenues[3]	$1,597,716	$2,082,772	$2,648,464	$4,473,785	$5,085,657	5,788,095	$5,961,738[2]

1. Source: Smith Travel Research, 2014
2. Increasing thereafter for inflation at an assumed 3.0 percent annual average rate.
3. Calculated by dividing Total Rooms Revenues by 0.93 to account for the expectation that on average about 7.0 percent of the hotels' revenues will derive from sources other than the sale of guest accommodations, such as food & beverage sales.

- Base ADR = $75 in 2014 dollars based on current market performance for upper midscale properties outside of downtown and airport zones.
- Inflation assumed to average 3.0% annually.
- Hotels ramp to stable operation over 3 years; Year 1 - 80% of stabilized Occupancy and 80% of stabilized ADR; Year 2 - 90% of stabilized Occupancy and 90% of stabilized ADR; Year 3 - stabilized Occupancy and ADR.
- Hotels are select service - 93% of revenues from rooms -- 7% from "Other" revenue sources including food & beverage.
- Assume hotels fulfill anticipated additional market demand beginning in 2022 and 2025.
- Average all in development costs (excluding land costs but including hard and soft costs, FF&E and working capital) for upper-midscale, select service product (e.g., Holiday Inn Express, Hampton Inn, Fairfield Inn, etc.), three to four story, stick construction: $75,000 to $90,000 a key.

Hotel Demand Expected to Increase as Town Center Grows

Lodging is a unique commercial land use as its revenue generation performance depends mostly on consumer and business demand sourced from outside of the area where it is located. This compares to retail, office and other commercial land uses, whose revenue generation, in most cases, will depend largely on demand from local sources.

Evaluating the demand for a hotel at a particular location such as the Town Center can prove to be challenging when the sources and levels of external demand are non-existent and difficult to ascertain. The questions that need to be asked include:

- What are the levels and demographics of visitors, current and projected, to the area generated by attractions, activities and services (collectively "drivers") near the proposed hotel development site?
- And, what would give those visitors a reason to stay overnight at this location?

There are currently very few lodging demand drivers local to the Town Center site adequate to support the development of hotels at this location in the near term. **In the longer term, as the Town Center grows up, along with the surrounding communities as planned, local demand for overnight accommodations should reasonably be expected to increase to levels necessary to support the development of the proposed hotels at the Center**. However, the specific construction timing of the hotels and their market positioning will need to be reevaluated as the area continues to develop and its specific lodging development opportunities/needs further crystallize.

Town Center Faces Little Existing Competition on Westside

The proposed Town Center location faces very little existing competition from midscale and upper-midscale hotel products on the Westside. The only midscale products on the Westside are a Quality Inn & Suites (104 rooms) and a La Quinta Inns & Suites (118 rooms), both located at the interchange of Interstate 40 and Coors Road, about 2 miles east of the Town Center site. Both are almost 20 years old. The only upper-midscale product on the Westside is the 88-room Hampton Inn & Suites, also located at the interchange of Interstate 40 and Coors Road, about 2 miles from the Town Center site.

The closest existing lodging to the Town Center site is a Microtel by Wyndham, an economy product with just 49 rooms (built in 1999). There are also extremely old and run-down, small economy motels on Route 66 within a mile of the Town Center site. These include the Grand View Motel and French Quarters Motel, neither of which warrants any additional discussion, as they do not represent potential competitors. The Microtel's book of business is derived from a range of sources, including the truck and drive market along Interstate 40 (the property is located by a Flying J Truck Stop). It is the first hotel when entering Albuquerque on Interstate 40 from the west, and the last hotel when leaving Albuquerque on the Interstate from the east. The property's ADR is in the $50-$55 range.

An analysis of hotel supply in the Albuquerque region over the past ten years indicates that the market on average experiences increases in rooms supply of about 1.5 percent annually. This is below the national long-term average of 2 percent annually. This supply growth is expected to be met over the next several years by the current pipeline of hotels within the region under construction and in planning, which includes (Source: Smith Travel Research, 2014):

1. Home2Suites in University Boulevard (123 rooms) - under construction;
2. Hampton Inn & Suites adjacent to the AISA on Sunport Place SE (90 rooms) - under construction;
3. Springhill Suites at Interstate 25 and Paseo Del Norte (114 rooms) - in final planning;
4. Holiday Inn Express at Interstate 25 and Main Street (70 rooms) - in final planning; and
5. Unnamed property adjacent to the historic Albuquerque Hotel (118 rooms) - in final planning.

Hotel Occupancy & Rate Projections Based on 5 Competitors

Development of the proposed hotels at Town Center may meet the demand growth of the market and should be absorbed at prevailing rates and occupancy levels, assuming no additional competing supply is built prior to or at that time.

Projections of the future occupancy and ADR performance of the Town Center hotels, shown in the previous table, are based on recent averages for those utilization and rate metrics across five hotels closest to the Town Center that have similar market positioning to the proposed hotels. These include one midscale and four upper-midscale branded hotels ("Competitive Set"). (Neither the Quality Inn & Suites or La Quinta Inns & Suites at the I-40/Coors Road interchange, both midscale products, were considered good comparables to the proposed Town Center hotels, given their age and recent price positioning.) The hotels included in the Competitive Set include:

1. Hampton Inn and Suites at the I-40/Coors Road interchange as mentioned above (the only upper-midscale hotel currently on the Westside);
2. Best Western Rio Grande Inn located on I-40 just east of the Rio Grande (173 rooms);
3. Fairfield Inn University Area (189 rooms);
4. Holiday Inn Express Albuquerque Midtown (122 rooms); and
5. Candlewood Suites Albuquerque (123 rooms) - a midscale extended-stay product.

The last three properties are all located on the northeast side of the I-25 and I-40 interchange, about 7.5 miles from the Town Center site (within the competitive lodging sphere of the Center).

Hotel Demand Drivers Include Move-Ins, Sports & I-40

Current primary sources of demand for lodging at Town Center include:

- **Individuals and families moving into the area ("Move-In Demand")**

  While new residential (single-family homes and apartments) build-out in the area of the Town Center as part of WALH's larger development program is progressing, the volume of individuals and families moving to the area is still relatively limited, and thus, the associated demand for local, short-term lodging for making the transition to new housing is still likely quite low.

- **Sporting events held at the Westside Sports Complex**

  While the Westside Sports Complex has been well received, the frequency of sporting events at the Complex is still fairly limited, and those events are drawing mostly regional participants who do not have a consistent need for nearby lodging. Still, the Complex will generate overnight demand during tournaments.

- **I-40 traffic**

  Local traffic volumes are one indicator of the potential demand for lodging in an area. It is therefore instructive to note that on Interstate 40 adjacent to the Town Center site, vehicular traffic is much lower than along other sections of the region's freeways, especially where there are high concentrations of lodging.

  In 2013, average weekday traffic on Interstate 40 adjacent to the Town Center site was almost 22,000 vehicles, down about 1/3rd from nearly 31,000 vehicles ten years earlier in 2004. Concurrently, average weekday traffic on Interstate 40 just east of its intersection with Coors Road, where the Hampton Inn & Suites and other Westside hotels are located, was about 141,000 in 2013, up from 130,000 in 2004. Average weekday traffic on I-25 just north of its intersection with I-40, where a number of the Competitive Set hotels are located, including a Fairfield Inn by Marriott, Holiday Inn Express and a Candlewood Suites, was about 190,000 in 2013, up from almost 180,000 in 2004. (Source: Albuquerque Mid-Region Council of Governments)

Once the pace of new residential and associated commercial development in the area of the Town Center increases significantly as anticipated; the Westside Sports Complex is expanded and its utilization grows; and the Town Center, including the hospital come on line; the need for local lodging will increase, likely providing the justification for the proposed hotels. Furthermore, the development of the Town Center, in particular its food & beverage and entertainment elements, will likely attract more of the I-40 drive market to stay overnight at that location, rather than at the lodging options in more developed commercial areas further east.

In summary, Albuquerque is one of the weaker hotel markets nationwide, and the Westside does not yet have many of the room demand drivers necessary to support additional hotel development. Thus, it is expected to require at least 7 years before new hotel rooms can be economically supported at the Subject.

Hospital Market Analysis

For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Prepared by Cushman & Wakefield Western, Inc.

New Mexico is Home to 40 Hospitals, Totaling 4,251 Beds

Licensure
Based on discussions with the client and the city of Albuquerque planning department (Kim Dicome, Planning Manager) and our review of the Westland Master Plan, the Subject's proposed hospital use is an allowed use. According to Ms. Dicome, the Westland Master Plan was amended in 2012, however, no progress has been made since.

Licensing and regulation of all hospitals in the state of New Mexico falls under the New Mexico Department of Health, Division of Health Improvement, and the Health Facility Licensing & Certification Bureau. Required licensure for hospitals in New Mexico must meet the requirements in accordance to the New Mexico Department of Health. Hospitals may apply for three types of license: Annual license, temporary license, and amended license. The annual license must be renewed after one year, temporary license may not exceed 120 days, and operators must apply for an amended license when there is any change of administrator, name, location, capacity, or classification change on a license application.

Licensure Fee Schedule
Fees for facilities providing professional medical or nursing services on a 24 hour basis are based on the number of beds in each facility. The hospital rate per bed is $12.00 per day.

Statewide Statistics
As of September 2014, New Mexico is home to 40 hospitals, which include acute care, psychiatric and specialty hospitals. Currently there are a total of 4,251 hospital beds.

STATE OF NEW MEXICO HOSPITAL STATISTICS	
STATEWIDE STATISTICS	**2014**
No. of Hospitals	40
No. of Beds	4,251
No. of Beds Per 1,000, Age 18-64	3.33
No. of Beds Per 1,000, Age 65+	13.93
No. Beds Per 1,000, Total	2.03
Population Age 18-64	1,273,614*
Population Age 65+	304,980*
Total Population	2,098,259*

*Source: American Hospital Directory & Alteryx, Inc.
Alteryx Inc. estimated values for 2014.

New Mexico's Medicaid Program was Reconstructed in 2014

Certificate of Need (CON)

New Mexico's Certificate of Need (CON) program for hospitals was terminated as of 2005.

Medicaid

The Medical Assistance Division (MAD) of the Human Services Department administers the Medicaid program for the State of New Mexico. New Mexico operates with a state based marketplace, called the New Mexico Health Insurance Exchange. The New Mexico Salud program, which started in 1997, covers primary and specialty care for younger adults and children. In 2008 the Coordinated Long Term Services (COLTS) provided primary care, specialty care, and long term services to older adults. During July 2011, New Mexico officered Medicaid participants a choice of enrollment six managed care programs. New Mexico also operates a voluntary Program of All- Inclusive Care for the Elderly (PACE) that provides all Medicaid and Medicare services to adults 55 and over needing a nursing facility level of care and residing in the Albuquerque area.

In January 2014, New Mexico's Medicaid program was reconstructed into Centennial Care, a program that consolidated all previous Medicaid programs such as New Mexico Salud and the COLTS program. Centennial Care extended coverage for behavioral services, and created payment reforms to promote cost effective care. The state of New Mexico can now fund the Medicaid program under a single budget for financing flexibility. Most people who were previously enrolled in a New Mexico Medicaid program will be eligible for Centennial Care.

The federal government will finance most of the expansion costs for the New Mexico Medicaid expansion. From 2014 to 2016, the federal government will pay for 100% of the coverage expansion.

Affordable Care Act

The Affordable Care Act (ACA) provided temporary change to the definition for the low-volume hospitals during FY2011 and FY2012, which was later extended by the American Tax Payer Relief Act of 2012 through September 2013. Under this modification hospitals would then qualify for low–volume payment adjustments if located 15 miles from another hospital.

After March 31, 2014, the definition reverted back to pre-ACA, and a hospital will only qualify for the low-volume payment adjustment if it is located more than 25 miles from another hospital with fewer than 200 discharges during a fiscal year.

Staffing Requirements

Each hospital must have adequate numbers of professional registered nurses on duty at all times to meet the nursing care needs of the patients. Personnel for all patient care services of the hospital must be consistent with the needs of the hospital's patients on a 24-hour basis.

New Mexico's Medicaid Expansion Will Increase Demand

In the beginning of 2010, **the Affordable Care Act reduced Medicare reimbursement to hospitals, which impacted New Mexico's budget by $75 million per year. New Mexico hospitals lost more than $16.2 million per year in further reductions caused by the federal sequestration**. Overall spending has caused many cuts in hospital budgets, leading to staffing cuts which detract from patient care. Changes that occurred in the new Centennial Care version of Medicaid reduced the Sole Community provider payments, which are payments that come from the New Mexico/Federal partnership. The federal share is funded by Medicaid dollars and is equivalent to 75% of the payment. The other 25% is funded by counties via an intergovernmental transfer (IGT). This program has been cut from $278 million down to $192 million. The most impacted facilities are fragile, small, rural hospitals. The reimbursement and billing of all services are administered by the Medical Assistance Division (MAD) of New Mexico. Upon approval from the MAD board all eligible facilities will receive reimbursement for covered services to eligible recipients. Hospitals must provide MAD recipient eligibility and billing information to providers of services within the hospital. A provider is reimbursed encounter rates or other all-inclusive rates that may have some contracted services built into those rates.

With the expansion of Medicaid and the exchange coverage, more hospitals are experiencing less uncompensated care. **The Medicaid expansion will provide healthcare to 560,000 New Mexicans and will extend eligibility to another 170,000 residents leading to an expected increase in demand for healthcare services in the state**. According to the Becker's hospital review, more than 40% of New Mexico's population has limited access to primary care. Accessibility to primary care with the recent closures of health facilities has a monumental impact nationally and locally. According to the Department of Health and Allied Agencies, 32 of New Mexico's 33 counties are designated as health professional shortage areas. **As the insured population grows, data trends in New Mexico suggest further stress on demand for medical and mental health resources in the state**. Approximately half of New Mexico's population is concentrated in three urban counties, Bernalillo (including the Albuquerque area), Dona Ana and Santa Fe; however there is a disproportionate majority of the state's healthcare workforce concentration in these counties.

New Mexico is expanding its healthcare workforce and creating facilities to meet the needs for residents. With new developments such as the Town Center Development, and the University of New Mexico's outpatient clinic, the demand for healthcare is high in the state. The Public Health Division in New Mexico reports disparities in proper distribution of healthcare resources such as doctors and facilities in areas such as Bernalillo County located in Albuquerque. Bernalillo County has the largest uninsured population in the state with fewer health facilities and practicing physicians than many other counties in the state. With the implementation of the ACA in January of 2014, insured New Mexico residents are seeking services in their communities, and populated counties such as Bernalillo, should expect varying levels of new demand for services.

Primary Service Area for Proposed 300-Bed Hospital Defined

The Subject property includes a proposed 300-bed, short-term acute care hospital. The Subject hospital will contain 900,000± square feet of gross floor area and will be situated on a 51.00-acre parcel of land. Based on the data provided, the main hospital (East Building) will be five stories and include a three story parking structure with 975 parking spaces and an on campus three story professional office building (West Building) totaling 300,000 square feet. The site plan also shows ample surface parking area with 1,300 spaces allocated to the hospital and 2,000 spaces allocated to the professional office buildings. In the following pages, we will discuss how the Subject will compare and compete with existing facilities in its market area. We will also determine probable demand for the proposed 300-bed hospital based on local supply and demand factors.

The first step in analyzing the competitive market for the Subject is delineating its primary service area (PSA). The PSA is typically described as either a defined radius around the Subject, zip codes, or it can be the county or township in which the property is located. As previously discussed, New Mexico is a not a Certificate of Need (CON) state and therefore health systems or other entities that wish to construct a new hospital do not need to apply for a CON or prove that demand for new hospital beds are warranted. **Market areas for proposed hospitals are defined internally by health systems based on utilization of existing hospital beds and demographic trends (census figures).**

According to a Health Leaders Study, **approximately 75 to 80% of hospital patients come from within a set geographic market area that is within roughly 5 to 10 miles from a hospital campus**. The remaining 20 to 25% of patients come from outside this geographic region with the aforementioned percentages likely to move up or down from the base percentages based on how highly ranked the hospital is in comparison to other hospitals in the market. **Currently the closest hospital to the Subject is approximately 7 miles east in downtown Albuquerque, with no hospitals within a five mile radius**. We have analyzed the Subject development giving consideration to a primary service area of 5, 10 and 15 miles.

We evaluated the current and future market potential by analyzing demographic trends in the Subject's service area (5-, 10- and 15-mile). In densely populated urban areas, the primary and secondary service areas may be smaller, and vice versa. **To establish the Subject's trade area, our analysis focuses on the trade area's population**. Claritas, Inc. provides historical, current and forecasted population estimates for the total area. Patterns of development density and migration are reflected in the current levels of population estimates. For purposes of this analysis, we have relied upon the 2014 estimates for current demographic information.

Demographics for the 5-, 10- and 15-Mile Service Areas

The table to the right summarizes the current and projected population, household and income statistics for the Subject area, county and state. The different areas are clearly characterized by various levels of positive growth.

The projected annual growth within a 5-mile radius of the Subject is stronger than all other defined areas through 2019. This area also has the lowest average household income and highest percentage of owner occupied housing. Note that these figures do not exactly match up with the following population figures as they reflect distinct data queries.

Since the Subject is projected to be developed with construction start dates ranging from 2016 to 2021, which goes beyond our demographic data provided, we have assumed similar to moderate growth beginning in 2020 and beyond.

DEMOGRAPHIC SUMMARY

	Radius					
	5.0 miles	10.0 miles	15.0 miles	Bernalillo County	New Mexico State	Entire US
POPULATION STATISTICS						
2000	104,131	309,721	579,952	555,950	1,819,034	281,394,317
2010	152,766	403,588	702,893	662,568	2,059,170	308,725,722
2014	160,274	418,533	722,114	679,392	2,098,250	317,178,116
2019	168,806	435,651	744,560	699,477	2,146,793	328,287,020
Compound Annual Change						
2000 - 2014	3.13%	2.17%	1.58%	1.44%	1.03%	0.86%
2014 - 2019	1.04%	0.80%	0.61%	0.58%	0.46%	0.69%
HOUSEHOLD STATISTICS						
2000	36,723	119,628	228,846	220,621	677,970	105,466,823
2010	53,325	155,245	279,897	266,000	791,396	116,705,436
2014	55,279	160,608	288,537	273,564	812,909	120,151,595
2019	57,893	167,119	298,358	282,447	836,401	124,610,342
Compound Annual Change						
2000 - 2014	2.96%	2.13%	1.67%	1.55%	1.30%	0.94%
2014 - 2019	0.93%	0.80%	0.67%	0.64%	0.57%	0.73%
AVERAGE HOUSEHOLD INCOME						
2000	$46,970	$46,736	$51,113	$51,980	$45,675	$56,674
2014	$55,865	$57,172	$61,473	$62,252	$60,869	$71,318
2019	$60,398	$61,495	$66,195	$66,833	$63,070	$75,940
Compound Annual Change						
2000 - 2014	1.25%	1.45%	1.33%	1.30%	2.07%	1.66%
2014 - 2019	1.57%	1.47%	1.49%	1.43%	0.71%	1.26%
OCCUPANCY						
Owner Occupied	72.39%	62.37%	63.65%	63.23%	68.51%	64.97%
Renter Occupied	27.61%	37.63%	36.35%	36.77%	31.49%	35.03%

Source: Claritas, Inc.

Population Growth for Ages 65 to 84 Strongest in All Areas

The population growth in the 5-mile PMA is strongest overall and strongest in the 65 to 84 age group when compared to the other areas. The next strongest age group for all PMA's is the 35 to 44 age group.

PRIMARY SERVICE AREA 5 Miles				
Age Group	2000	2014 Est.	2019 Projection	Annual Growth Rate
Age 0 - 4	7,580	11,450	11,649	0.35%
Age 5 - 9	7,128	11,528	11,642	0.20%
Age 10 - 15	6,605	11,015	11,342	0.59%
Age 15 - 17	3,836	6,357	6,879	1.59%
Age 18 - 20	3,699	5,640	6,085	1.53%
Age 21 - 24	4,855	7,203	7,736	1.44%
Age 25 - 34	13,216	21,012	19,928	-1.05%
Age 35 - 44	12,242	17,948	19,986	2.17%
Age 45 - 54	8,822	15,389	16,180	1.01%
Age 55 - 64	4,959	11,610	12,818	2.00%
Age 65 - 74	3,300	6,640	8,637	5.40%
Age 75 - 84	1,647	3,002	3,675	4.13%
Age 85 and over	447	952	1,011	1.21%
Total	**78,336**	**129,746**	**137,568**	**1.18%**
Age 16 and over	55,745	93,664	100,679	1.45%
Age 18 and over	53,187	89,396	96,056	1.45%
Age 21 and over	49,488	83,756	89,970	1.44%

PRIMARY SERVICE AREA 10 Miles				
Age Group	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
Age 0 - 4	19,157	24,641	24,970	0.27%
Age 5 - 9	19,027	24,476	24,771	0.24%
Age 10 - 15	18,660	23,575	24,498	0.77%
Age 15 - 17	11,491	14,197	15,054	1.18%
Age 18 - 20	12,912	15,282	15,658	0.49%
Age 21 - 24	15,738	19,797	19,231	-0.58%
Age 25 - 34	39,535	52,958	50,456	-0.96%
Age 35 - 44	40,668	44,908	49,135	1.82%
Age 45 - 54	33,188	42,323	41,825	-0.24%
Age 55 - 64	18,445	37,538	38,719	0.62%
Age 65 - 74	12,722	22,103	28,446	5.18%
Age 75 - 84	7,970	10,216	11,986	3.25%
Age 85 and over	2,597	4,040	4,107	0.33%
Total	**252,110**	**336,054**	**348,856**	**0.75%**
Age 16 and over	191,554	258,701	269,686	0.84%
Age 18 and over	183,775	249,166	259,564	0.82%
Age 21 and over	170,863	233,883	243,906	0.84%

PRIMARY SERVICE AREA 15 Miles				
Age Group	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
Age 0 - 4	37,911	45,971	46,454	0.21%
Age 5 - 9	37,995	45,791	46,144	0.15%
Age 10 - 15	38,043	44,545	46,028	0.66%
Age 15 - 17	23,089	26,766	28,230	1.07%
Age 18 - 20	24,869	27,340	27,806	0.34%
Age 21 - 24	31,589	37,384	35,684	-0.93%
Age 25 - 34	78,447	100,085	96,186	-0.79%
Age 35 - 44	85,519	86,265	93,501	1.62%
Age 45 - 54	71,590	86,677	83,084	-0.84%
Age 55 - 64	42,391	79,824	82,278	0.61%
Age 65 - 74	32,083	49,563	62,432	4.72%
Age 75 - 84	22,883	25,919	29,307	2.49%
Age 85 and over	7,758	11,871	12,032	0.27%
Total	**534,167**	**668,001**	**689,166**	**0.63%**
Age 16 and over	412,709	522,894	541,291	0.69%
Age 18 and over	397,129	504,929	522,309	0.68%
Age 21 and over	372,260	477,589	494,503	0.70%

Statewide There Are 2.03 Hospital Beds Per 1,000 People

Statewide, there are approximately 2.03 hospital beds per thousand at present with an overall occupancy in the 52% range (based on statistics from the American Hospital Directory website). The 5-, 10- and 15-mile primary service area results indicate 2.31, 6.02 and 3.82 beds per thousand for the Subject (assuming a 300-bed hospital). The 5-mile service area is most similar to the state average.

Ratio of Licensed Hospital Beds to Population
Subject Proposed 300 Bed Hospital

	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
New Mexico	1,819,046	2,098,259	2,146,801	0.46%
Total Licensed Beds		4,251	4,251	
No. of Beds per 1,000		2.03	1.98	
15 Miles	534,167	668,001	689,166	0.63%
Total Licensed Beds		2,551	2,551	
No of Beds per 1,000		3.82	3.70	
10 Miles	252,110	336,054	348,856	0.75%
Total Licensed Beds		2,024	2,024	
No of Beds per 1,000		6.02	5.80	
5 Miles	78,336	129,746	137,568	1.18%
Total Licensed Beds		300	300	
No of Beds per 1,000		2.31	2.18	

Household income levels in all areas are most concentrated in the $50,000 to $74,999 range. Overall, the average household income in the 5-mile radius service area is lowest, with greatest percentage of $35,000 to $49,999 and $15,000 to $24,999 income ranges.

DISTRIBUTION OF HOUSEHOLD INCOME

	Radius					
Category	5.0 miles	10.0 miles	15.0 miles	Bernalillo County	New Mexico State	Entire US
$500,000+	0.13%	0.24%	0.32%	0.35%	0.39%	0.80%
$200,000 to $499,999	1.32%	1.82%	2.45%	2.63%	2.39%	3.66%
$150,000 to $199,999	2.55%	3.11%	3.71%	3.94%	3.41%	4.53%
$125,000 to $149,999	3.29%	3.31%	3.96%	3.98%	3.71%	4.55%
$100,000 to $124,999	5.90%	6.02%	6.72%	6.80%	6.65%	7.76%
$100,000 to $149,999	9.19%	9.33%	10.68%	10.78%	10.37%	12.31%
$75,000 to $99,999	10.69%	10.26%	10.32%	10.18%	10.83%	11.88%
$50,000 to $74,999	19.64%	18.17%	17.55%	17.30%	16.99%	17.95%
$35,000 to $49,999	17.02%	15.06%	14.83%	14.40%	14.77%	13.88%
$25,000 to $34,999	11.41%	11.77%	11.51%	11.45%	11.45%	10.55%
$15,000 to $24,999	13.44%	13.17%	12.62%	12.63%	13.12%	11.16%
Under $15,000	14.60%	17.06%	16.00%	16.32%	16.28%	13.28%

Source: Claritas, Inc.

UNM Sandoval Regional Medical Center is Inferior to Subject

For comparison purposes, we have also given consideration to the population and demographic characteristics of the comparable hospitals in the market. Based on our review of the comparable hospital data, three comparables were selected including the University of New Mexico Sandoval Regional Medical Center, Presbyterian Rust Medical Center and Lovelace Medical Center. These hospitals represent a mix of recently built hospitals, similar size and a mix of development density in the market.

The University of New Mexico Sandoval Regional Medical Center primary service areas (5-, 10- and 15-mile radius) indicate good projected growth in the population. As seen from the data, the population is growing for the state at 0.46% annually, versus 0.77 to 1.26% for the 5- and 15-mile radius areas. The primary service area results indicate 0.99, 1.80 and 0.82 beds per thousand (assuming the total hospital beds within the PSA). As can be seen, **the number of beds per 1,000 population are low, which reflects the site's rural location, with limited population within the PSA**. Overall, the University of New Mexico Sandoval Medical Center was considered inferior to the Subject location in terms of population and number of hospital beds per 1,000.

Ratio of Licensed Hospital Beds to Population
University of New Mexico Sandoval Regional Medical Center

	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
New Mexico	1,819,046	2,098,259	2,146,801	0.46%
Total Licensed Beds		4,251		
No. of Beds per 1,000		2.03		
15 Miles	321,969	431,571	448,356	0.77%
Total Licensed Beds		352		
No of Beds per 1,000		0.82		
10 Miles	114,262	196,063	208,743	1.26%
Total Licensed Beds		352		
No of Beds per 1,000		1.80		
5 Miles	41,154	72,732	76,995	1.15%
Total Licensed Beds		72		
No of Beds per 1,000		0.99		

Presbyterian Rust Medical Center is Similar to Subject

The Presbyterian Rust Medical Center primary service areas indicate moderate projected growth in the population. As seen from the data, the population is growing for the state at 0.46% annually, versus 0.65 to 0.80% for the 5- and 15-mile radius areas. The primary service area results indicate 1.54, 5.22 and 3.38 beds per thousand (assuming the total hospital beds within the PSA, including the 120-bed expansion currently under construction at Presbyterian Rust). The indicated 1.54 beds per 1,000 within a 5-mile radius is based on the existing and current beds under construction. However, based on the final projected completion of 350 beds at Rust and an additional 72 nearby beds, the number of beds per 1,000 equates to 2.32 beds. As can be seen, **the number of beds per 1,000 population are similar to the Subject, which reflects the site's similar location, with similar population within the PSA**. Overall, the Presbyterian Rust Medical Center was considered similar to the Subject location in terms of population and number of hospital beds per 1,000.

Ratio of Licensed Hospital Beds to Population
Presbyterian Rust Medical Center

	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
New Mexico	1,819,046	2,098,259	2,146,801	0.46%
Total Licensed Beds		4,251		
No. of Beds per 1,000		2.03		
15 Miles	590,802	747,106	771,553	0.65%
Total Licensed Beds		2,523		
No of Beds per 1,000		3.38		
10 Miles	372,585	483,645	500,916	0.70%
Total Licensed Beds		2,523		
No of Beds per 1,000		5.22		
5 Miles	132,102	181,528	188,925	0.80%
Total Licensed Beds		280		
No of Beds per 1,000		1.54		

Lovelace Medical Center is Superior to Subject

The Lovelace Medical Center primary service areas indicate low projected growth in the population. As seen from the data, the population is growing for the state at 0.46% annually, versus 0.22 to 0.62% for the 5- and 15-mile radius areas. The primary service area results indicate 7.69, 4.23 and 3.72 beds per thousand (assuming the total hospital beds within the PSA). As can be seen, **the number of beds per 1,000 population are high, which reflects the site's urban location (downtown Albuquerque), with high population within the PSA**. Overall, the Lovelace Medical Center was considered superior to the Subject location in terms of population and number of hospital beds per 1,000.

Ratio of Licensed Hospital Beds to Population Lovelace Medical Center				
	2000 Census	2014 Est.	2019 Projection	Annual Growth Rate
New Mexico	1,819,046	2,098,259	2,146,801	0.46%
Total Licensed Beds		4,251		
No. of Beds per 1,000		2.03		
15 Miles	593,233	739,502	762,641	0.62%
Total Licensed Beds		2,751		
No of Beds per 1,000		3.72		
10 Miles	531,983	649,685	668,640	0.58%
Total Licensed Beds		2,751		
No of Beds per 1,000		4.23		
5 Miles	226,076	243,414	246,158	0.22%
Total Licensed Beds		1,871		
No of Beds per 1,000		7.69		

Rule of Thumb Indicates Subject Demand of 325 to 390 Beds

Generally speaking, a rule of thumb for the number of hospital beds equates to 2.5 to 3.0 beds per 1,000 in population. This figure may exceed 3.0 beds per 1,000 population in urban/suburban areas and/or highly ranked or specialized hospitals that draw from a wider geographic area (similar to the Lovelace Medical Center), and may drop to as low as 1.0 to 1.5 beds per 1,000 population in rural locations (similar to the University of New Mexico Sandoval Regional Medical Center). **Applying the general rule of thumb of 2.5 to 3.0 beds per 1,000 in population for urban/suburban areas indicates demand of 325 to 390 hospital beds for the Subject site (based on the 129,746 population within a 5 mile radius)**. The national average for hospital beds equates to 2.6 per 1,000, while the State of New Mexico averages 2.0 hospital beds per 1,000.

Overall, Presbyterian Rust Medical Center was considered the best comparable to the Subject in terms of population and demographic statistics. Presbyterian Rust Medical Center reflected 1.54 beds per 1,000 within a five mile radius based on the existing and current beds under construction. However, based on the final projected completion of 350 beds and an additional 72 nearby beds, the number of beds per 1,000 equates to 2.32 beds, which strongly supports the Subject's proposed 300 hospital beds.

As such, **it appears there is sufficient demand for 300 hospital beds (2.31 beds per 1,000 in population) assuming a 5-mile radius primary service area for the Subject development**. As the population grows within the Subject PSA, the number of hospital beds per 1,000 of population declines (2.18 beds per 1,000 in population by 2019), which further supports demand for the Subject 300 hospital beds. It should also be noted, the Subject's proposed hospital will also generate significant demand from the new 55+ active adult community (543 units) currently selling homes less than a mile north of the Subject. Proximity to major medical centers has long been a strong determining factor in 55+ active adult home purchases.

At this time, we are not aware of any planned or proposed competition in the Subject's market area. However, it is worth noting that Presbyterian Hospital purchased a 39.33 acre site (APN 1-009-058-434005-4-01-8) in April 2006 located at the northwest quadrant of Unser Boulevard NW and Los Volcanes Road NW, in Albuquerque. This site is approximately 1.5 miles southeast of the Subject, just south of Interstate 40. The site is currently zoned IP (Industrial Park) and no entitlements have been processed for hospital use. Overall, this site is considered inferior to the Subject as it is smaller and lacks the adjacent complementary uses (i.e.. commercial/retail/medical office, etc.). **The land purchase by Presbyterian Hospital does indicate interest for a healthcare related use within the Westside of Albuquerque, which positively impacts the Subject's proposed hospital use**.

Eight Hospitals in the Albuquerque & Rio Rancho Market

A search for competition consisted of interview's with local hospital operators and a review of the American Hospital Directory's (AHD) U.S. Hospitals Profiles. Occupancy data was provided by AHD's U.S. Hospitals Profiles and our interviews. The table presented contains a summary of pertinent information for each.

There are a total of nine hospitals within the Albuquerque market. We have considered eight out of the nine for comparison to the Subject. The one comparable not included was the University of New Mexico Sandoval Regional Medical Center, which is located 18 miles north of the Subject within rural Rio Rancho/Sandoval County.

Occupancy is based on staffed beds, whereby the numbers of staffed beds are taken from a hospital's most recent Medicare cost report. Cost report instructions define staffed beds as, the number of beds available for use by patients at the end of the cost reporting period.

A bed means an adult bed, pediatric bed, birthing room, or newborn bed maintained in a patient care area for lodging patients in acute, long term, or domiciliary areas of the hospital. Beds in labor room, birthing room, postanesthesia, postoperative recovery rooms, outpatient areas, emergency rooms, ancillary departments, nurses' and other staff residences, and other such areas which are regularly maintained and utilized for only a portion of the stay of patients (primarily for special procedures or not for inpatient lodging) are not termed a bed for these purposes. The total number of general med/surg beds plus special care beds are reported. General Medical/Surgical Beds are the beds used for routine care and Special Care Beds include Intensive Care Units, Coronary Care Units, etc.

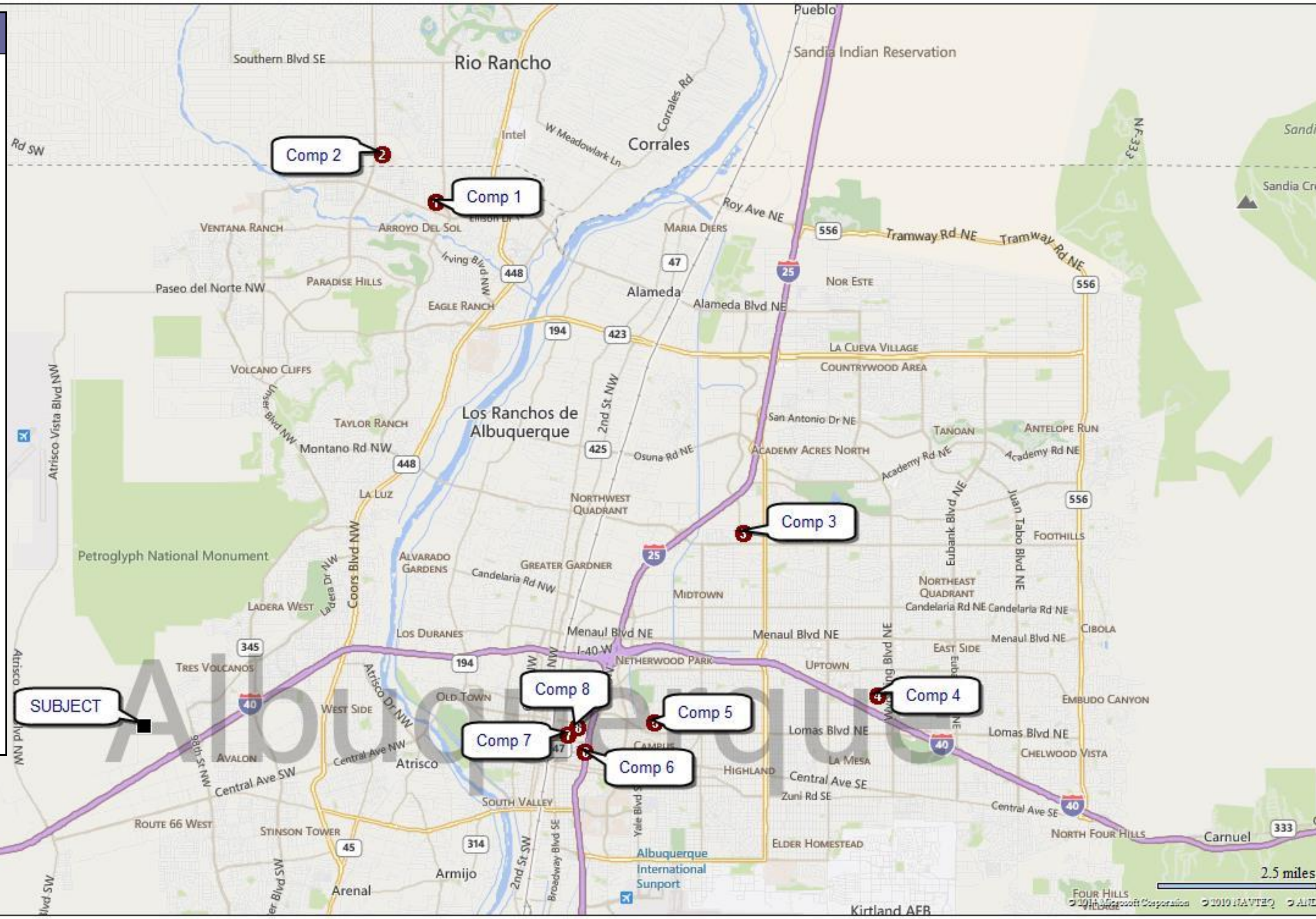
	Service Provider	Beds	Total Patient Days	Licensed Bed Days	Occupancy*
No. 1	Lovelace Westside Hospital	71	7,062	25,915	27.3%
	10501 Golf Course Road NW			FTE Per Occ. Bed	N/A
	Albuquerque, New Mexico 87114				
No. 2	Presbyterian Rust Medical Center	89	25,550	32,485	78.7%
	2400 Unser Boulevard SE			FTE Per Occ. Bed	N/A
	Rio Rancho, New Mexico 87124				
No. 3	Lovelace Women's Hospital	162	28,949	59,130	49.0%
	4701 Montgomery Boulevard, NE			FTE Per Occ. Bed	7.43
	Albuquerque, New Mexico 87109				
No. 4	Presbyterian Kaseman Hospital	85	17,268	31,025	55.7%
	8300 Constitution Avenue NE			FTE Per Occ. Bed	7.72
	Albuquerque, New Mexico 87110				
No. 5	University of New Mexico Hospital	574	172,154	209,510	82.2%
	2211 Lomas Boulevard NE			FTE Per Occ. Bed	10.88
	Albuquerque, New Mexico 87106				
No. 6	Presbyterian Hospital	803	190,057	293,095	64.8%
	1100 Central Avenue SE			FTE Per Occ. Bed	8.64
	Albuquerque, New Mexico 87106				
No. 7	Lovelace Medical Center	292	55,619	106,580	52.2%
	601 Dr. Martin Luther King Jr. NE			FTE Per Occ. Bed	6.82
	Albuquerque, New Mexico 87102				
No. 8	Heart Hospital of NM at Lovelace Medical Center	55	12,085	20,075	60.2%
	504 Elm Street NE			FTE Per Occ. Bed	7.49
	Albuquerque, New Mexico 87102				
	Subject:	300	76,650	N/A	N/A
	Proposed 300-Bed Medical Center			N/A	N/A
	NEC of 118th Street & Ladera Drive				
	Albuquerque, New Mexico				
	Total/Average	**2,431**	**585,394**	**777,815**	**58.74%**

Source: American Hospital Directory (AHD)
*Based on staffed beds

Existing Hospitals Concentrated Near Downtown & UNM

Service Provider

No. 1	Lovelace Westside Hospital 10501 Golf Course Road NW Albuquerque, New Mexico 87114
No. 2	Presbyterian Rust Medical Center 2400 Unser Boulevard SE Rio Rancho, New Mexico 87124
No. 3	Lovelace Women's Hospital 4701 Montgomery Boulevard, NE Albuquerque, New Mexico 87109
No. 4	Presbyterian Kaseman Hospital 8300 Constitution Avenue NE Albuquerque, New Mexico 87110
No. 5	University of New Mexico Hospital 2211 Lomas Boulevard NE Albuquerque, New Mexico 87106
No. 6	Presbyterian Hospital 1100 Central Avenue SE Albuquerque, New Mexico 87106
No. 7	Lovelace Medical Center 601 Dr. Martin Luther King Jr. NE Albuquerque, New Mexico 87102
No. 8	Heart Hospital of NM at Lovelace Medical Center 504 Elm Street NE Albuquerque, New Mexico 87102



Five out of Eight Hospitals Given Strong Consideration

<u>The Subject will be one of 8 acute-care hospitals within a 15 mile radius</u>. In determining the best comparables for the Subject hospital, we gave consideration to hospital size, bed mix (ie: number of acute care beds, psychiatric beds, skilled nursing beds, etc.), services offered (range of services, specialty hospital, etc.), patient volumes (ie; number of inpatient surgeries, outpatient surgeries, outpatient visits, emergency room visits, discharges, etc.), average length of stay (ALOS), occupancy level and financial performance (ie: revenues, expenses, overall net operating income, operating expense ratio, etc.).

Lovelace Westside Hospital is of a small community hospital that has been negatively impacted by the opening of the larger Presbyterian Rust Medical Center located about a mile away. Limited consideration was placed on this comparable.

Presbyterian Rust Medical Center - We were able to confirm occupancy, absorption and construction cost details for this comparable. However, no financial data was provided. Thus, we have given <u>strong consideration to this comparable in terms of occupancy, absorption and construction cost, but have not included it with our revenue and expense estimates</u>.

Lovelace Women's Hospital is a good sized hospital with adequate occupancy and strong financial data reported (2013). However, the hospital consists of a specialty hospital for women only. Although the hospital is primarily focused on women, we have given it <u>strong consideration due to the strong financial data reported</u>.

Presbyterian Kaseman Hospital is a small community hospital with adequate occupancy and adequate financial data reported (albeit dated, 2006). However, the hospital included approximately 54% psychiatric beds. Thus, limited consideration was placed on this comparable due to the dated financial data provided and high percentage of psychiatric beds.

University of New Mexico Hospital is a large hospital (extensive services provided) with adequate occupancy and strong financial data reported (2013). Thus, we have given <u>strong consideration to the comparable due to its strong financial data reported and large size with similar services offered to the Subject</u>.

Presbyterian Hospital is a large hospital (extensive services provided) with adequate occupancy and strong financial data reported (2013). Thus, we have given <u>strong consideration to the comparable due to its strong financial data reported and large size with similar services offered to the Subject.</u>

Lovelace Medical Center is a large hospital (extensive services provided) with adequate occupancy and strong financial data reported (2013). Thus, we have given <u>strong consideration to the comparable due to its strong financial data reported and large size with similar services offered to the Subject.</u>

Heart Hospital of New Mexico at Lovelace Medical Center is a small specialty heart hospital with adequate occupancy and strong (superior) financial data reported (albeit slightly dated, 2011). Thus, we have given limited consideration to the comparable due to its smaller size and specialized use, with results in superior financial performance.

Rust & UNM Sandoval Medical Center Absorption Relied On

As previously discussed, **the Subject property includes a proposed 300-bed, short-term acute care hospital, containing 900,000± square feet of gross floor area and will be situated on a 51.00-acre parcel of land**. Based on the data provided, the main hospital (East Building) will be five stories and include a three story parking structure with 975 parking spaces and an on campus three story professional office building (West Building) totaling 300,000 square feet. The site plan also shows ample surface parking area with 1,300 spaces allocated to the hospital and 2,000 spaces allocated to the professional office buildings.

Based on our review of the comparables in the market and the Subject's proposed size (900,000 square feet and 300-beds) it is our understanding that **the Subject hospital will offer similar services to the larger hospitals throughout the PSA**. In general this would consist of a full service hospital offering emergency services, cardiovascular services, neurosciences, oncology services, orthopedic services, radiology, nuclear medicine, imaging, rehabilitation services, surgery, birth, wound care, some special care for burn intensive care, intensive care unit and subprovider units including psychiatric beds.

For our absorption projections we have primarily relied on absorption rates found within similar recently built hospitals. We have placed greatest consideration on Presbyterian Rust Medical Center, which is located within the Albuquerque market and offers similar size and services as the Subject's proposed hospital. Based on the current occupancy at Presbyterian Rust Medical Center, the facility has absorbed at a rate of approximately **1.95 beds per month** over the past three years (since opening in September of 2011). However, it should be noted, this rate reflects the reported occupancy as of December 2014 (per the operator), not total days for year-to-date 2014. Occupancy can fluctuate on a daily basis. Based on our discussions with the hospital and recent published reports, **from 2012 to 2013 Rust has seen a 19% increase in baby delivery, 21% increase in discharges, 37% increase in surgeries and a 1% increase in ER visits. The current expansion is reportedly seven years ahead of plan.**

We have given consideration to the **recently completed University of New Mexico Sandoval Regional Medical Center** located in Rio Rancho, New Mexico. The Medical Center consisted of a 72-bed acute care hospital that was built in 2012. The facility opened in July of 2012 and was very well received by the market. Based on discussions with the hospital operator, stabilized occupancy was achieved by October of 2014 (27 months), which equates to an absorption rate of **2.67 beds per month**.

Although it is outside of the Albuquerque market, we have given consideration to a **recently completed psychiatric hospital located in Las Vegas, Nevada** (Desert Parkway Behavior Healthcare Hospital). The hospital consisted of an 83-bed psychiatric hospital that was built in 2013, totaling 54,461 square feet. The facility opened in January of 2014 and was very well received by the market. The facility had occupancy of 70% as of November of 2014, which equates to an absorption rate of **5.8 beds per month**.

We have also given consideration to a **recently completed psychiatric hospital located in Santa Rosa, California** (Aurora Santa Rosa Hospital). The hospital consisted of a 95-bed psychiatric hospital that was originally built in 1988 and extensively renovated in 2001/2012, totaling 52,093 square feet. The facility opened in August of 2013 and was very well received by the market. The facility had occupancy of 66% as of November of 2014, which equates to an absorption rate of **4.5 beds per month**.

Town Center Can Absorb 3 Beds Per Month, Over 3 Phases

Overall, the Presbyterian Rust Medical Center and University of New Mexico Sandoval Regional Medical Center were considered strong comparables. The two psychiatric hospital comparables were considered superior (with strong absorption rates) primarily due to their specialized use. Thus, overall **a monthly absorption rate of 3 beds per month was considered reasonable for the Subject hospital**, slightly above the current Presbyterian Rust Medical Center, below the two recently completed psychiatric hospitals and near the University of New Mexico Sandoval Regional Medical Center.

Based on the Subject's significant size, we have proposed a phased development, which would be considered reasonable and similar to other large hospital developments. Typically large hospitals are built in stages, with the emergency services completed first and the remaining hospital components to follow. Based on our review of the developer's projected construction timing schedule, the Subject hospital portion of the larger Town Center development will begin construction in first quarter of 2019. This construction start date was considered reasonable and will allow two years for site entitlement and backbone infrastructure to be completed.

Phase 1, consisting of the emergency room and a main hospital tower including 100 beds will begin construction in first quarter of 2018. Construction of Phase 1 has been estimated at 12 to 18 months, with completion by third quarter 2019.

Phase 2, consisting of a second hospital tower including 100 beds will begin construction in fourth quarter of 2020. At this point, based on our hospital absorption estimate of 3 beds per month, Phase 1 would be approximately 40% to 50% occupied and the construction of the second (Phase 2) tower would be considered reasonable. Construction of Phase 2 has been estimated at 12 to 18 months, with completion by first quarter 2022. Final absorption to stabilized occupancy of 80% would be achieved for Phase 1 near fourth quarter 2021.

Phase 3, consisting of a third hospital tower including 100 beds will begin construction in second quarter of 2023. At this point, based on our hospital absorption estimate of 3 beds per month, Phase 2 would be approximately 45% to 50% occupied and the construction of the third (Phase 3) tower would be considered reasonable. Construction of Phase 3 has been estimated at 12 to 18 months, with completion by second quarter 2024. Final absorption to stabilized occupancy of 80% would be achieved for Phase 2 near first quarter 2024. Final absorption to stabilized occupancy of 80% would be achieved for Phase 3 near second quarter 2026.

Our projected 80% stabilized occupancy only accounts for inpatient days. We have taken into consideration outpatient visits (detailed later in the report), resulting in total adjusted patient days. Our total adjusted patient days reflect annual estimates. We have projected modest absorption rates. If the project is better received by the market, our absorption projections could improve significantly. Also, if patient volumes in terms of inpatient and outpatient surgeries and outpatient visits exceed projections, this could also trigger earlier project development. The following chart details our construction, absorption and adjusted patient day estimates.

Town Center Hospital Absorbs From 4Q19 Through 2Q26

CONSTRUCTION & ABSORPTION ESTIMATES

Development Stage	Quarter	Absorption Assumptions	
Construction Period (12 to 18 Months)		Number of Beds	300
Start Construction	1Q - 2018	Absorption Rate	3 Beds Per Month (9 Beds Per Quarter)
Start Absorption	4Q - 2019	Phases	3
End Construction	2Q - 2024	Stabilized Occupancy	80 Percent
End Absorption	2Q - 2026	Adjusted Patient Days	Annual Estimates Shown

Quarter	Development Stage	Hospital Beds Phase 1	Hospital Beds Phase 2	Hospital Beds Phase 2	Adjusted Patient Days
1Q - 2018	Start Construction - Phase 1				
2Q - 2018					
3Q - 2018					
4Q - 2018					
1Q - 2019					
2Q - 2019					
3Q - 2019	End Construction - Phase 1				
4Q - 2019	Phase 1 - Absorption Begin	9			25,000
1Q - 2020		9			
2Q - 2020		9			
3Q - 2020		9			
4Q - 2020	Start Construction - Phase 2	9			75,000
1Q - 2021		9			
2Q - 2021		9			
3Q - 2021		9			
4Q - 2021	Phase 1 - Absorption End	8			150,000
1Q - 2022	End Construction - Phase 2/Phase 2 Absorption Begin		9		
2Q - 2022			9		
3Q - 2022			9		
4Q - 2022			9		180,000
1Q - 2023			9		
2Q - 2023	Start Construction - Phase 3		9		
3Q - 2023			9		
4Q - 2023			9		200,000
1Q - 2024	Phase 2 - Absorption End		8		
2Q - 2024	End Construction - Phase 3/Phase 3 Absorption Begin			9	
3Q - 2024				9	
4Q - 2024				9	220,000
1Q - 2025				9	
2Q - 2025				9	
3Q - 2025				9	
4Q - 2025				9	260,000
1Q - 2026				9	
2Q - 2026	Phase 3 Absorption End			8	
3Q - 2026					
4Q - 2026					270,000
Total Beds (80 Percent Stabilized Occupancy)		**80**	**80**	**80**	

Town Center Hospital Could Create 1,680 to 2,160 Local Jobs

<u>For our employee estimates for the Subject's 300-bed hospital, we have primarily relied on total employees (full time equivalents – FTEs) per occupied bed found within similar recently built, larger sized hospitals</u>. We have placed greatest consideration on Lovelace Women's Hospital (162 Beds), University of New Mexico Hospital (574 Beds), Presbyterian Hospital (803 Beds) and Lovelace Medical Center (292 Beds), which represent the largest hospitals within the Subject's primary service area. The four comparables had total employees per occupied bed ranging from 6.82 to 10.88, with an average of 8.44. **We have estimated total employees per occupied bed for the Subject ranging from 7 to 9, which equates to total employees ranging from 1,680 to 2,160 (based on stabilized occupancy of 80%).** This estimate was considered reasonable given the Subject size, location and age/condition.

<u>Generally, there are three methods of estimating replacement cost; 1) review of the actual/proposed costs, 2) review of construction costs of other similar type properties, and 3) estimating costs from published cost data sources</u>. We have relied on Marshall & Swift, a nationally recognized cost estimating company for the commercial and residential real estate industries. The company's Marshall Valuation Service publication (© 2014 by Marshall & Swift/Boeckh, LLC and its licensors, all rights reserved) provides revised cost factors monthly and adjusts them to reflect regional and local cost variations. In referencing the Marshall Valuation Service cost manual, **base costs for good to excellent quality Class A to B General Hospitals in Section 15/Page 24 range from $267.79 per square foot (Average Class B) to $464.41 per square foot (Excellent Class A).**

<u>We have also given consideration to the two recently completed psychiatric hospitals</u> located in Las Vegas, Nevada (Desert Parkway Behavior Healthcare Hospital) and Santa Rosa, California (Aurora Santa Rosa Hospital). Based on our review of the actual cost figures provided, the total cost was **$304 per square foot** (excluding land value) for Desert Parkway Behavior Healthcare Hospital and **$328 per square foot** (excluding land value) for the Aurora Santa Rosa Hospital.

<u>Also given consideration is the cost figures gathered from the Presbyterian Rust Medical Center</u>. Based on the reported cost figures, the original main hospital consisting of 89 beds and a gross building area of 299,200 square feet was constructed at a cost of $98,000,000 or **$327.54 per square foot ($1,101,124 per bed)**. The current 120 bed expansion (six-story tower) has an estimated cost of $80,000,000 or **$666,667 per bed**. However, no gross building area was provided for the current expansion.

<u>The Subject developer has projected hospital construction costs at $350 per square foot</u> or $315,000,000, based on a 900,000 square foot building. Based on our review of the Marshall Valuation Service cost figures and the actual hospital cost figures provided, **the owner's cost projections were considered reasonable at $350 per square foot**. It should be noted, due to the significant variance in hospital square footage versus total number of hospital beds, an estimated cost on a per gross building square foot basis would be considered best for the Subject hospital. New hospitals typically include larger open space areas, more outpatient space and recovery space that is not accounted for on a cost per bed analysis.

Revenue Per Adjusted Patient Days from $2,259 to $2,788

For our revenue and expense estimates, we have primarily relied on Comparable 3 (Lovelace Women's Hospital), Comparable 5 (University of New Mexico Hospital), Comparable 6 (Presbyterian Hospital) and Comparable 7 (Lovelace Medical Center). **These four comparables were considered the best comparables to the Subject, primarily due to their similar size, occupancy, services provided and financial performance**. The following chart summarizes the overall revenues and expenses of the comparables and details the minimum, maximum and averages.

Proposed 300-Bed Medical Center Comparable Operating Statements														
	Lovelace Women's Hospital Year Ending 12/31/2013		University of New Mexico Hospital Year Ending 12/31/2013		Presbyterian Hospital Year Ending 12/31/2013		Lovelace Medical Center Year Ending 12/31/2013		Minimum		Maximum		Average	
REVENUES	**Total**	**$/APD**	**Total**	**$/APD**	**Total**	**$/APD**	**Total**	**$/APD**	**Total**	**$/APD**	**TOTAL**	**$/APD**	**TOTAL**	**$/APD**
TOTAL NET REVENUE	**$147,434,469**	**$2,259.24**	**$794,649,164**	**$2,545.60**	**$1,237,505,012**	**$2,788.15**	**$261,105,547**	**$2,757.81**	**$147,434,469**	**$2,259.24**	**$1,237,505,012**	**$2,788.15**	**$610,173,548**	**$2,664.67**
EXPENSES														
Salaries/Wages	$38,553,652	$590.79	319,186,710	$1,022.49	$402,331,512	$906.47	$67,181,589	$709.58	$38,553,652	$590.79	$402,331,512	$906.47	$206,813,366	$903.17
Employee Benefits	$5,246,070	80.39	1,607,561	5.15	$284,149	0.64	$11,723,503	123.82	$284,149	4.35	$11,723,503	26.41	$4,715,321	20.59
Other Professionals Fees	4,839,945	74.17	46,888,619	150.20	72,415,404	163.15	10,925,544	115.40	$4,839,945	74.17	$72,415,404	163.15	$33,767,378	147.46
Other Operating Expenses	63,171,893	968.03	380,721,897	1,219.61	636,978,764	1,435.14	150,669,555	1,591.38	$63,171,893	968.03	$636,978,764	1,435.14	$307,885,527	1,344.56
Adj. Operating Expenses	**$111,811,560**	**$1,713.37**	**$748,404,787**	**$2,397.46**	**$1,112,009,829**	**$2,505.40**	**$240,500,191**	**$2,540.18**	**$106,849,639**	**$1,637.33**	**$1,123,449,183**	**$2,531.18**	**$553,181,592**	**$2,415.78**
Adj. Expense Ratio	75.8%		94.2%		89.9%	`	92.1%		72.5%		90.8%		90.7%	
EBITDARM	**$35,622,909**	**$545.88**	**$46,244,377**	**$148.14**	**$125,495,183**	**$282.75**	**$20,605,356**	**$217.64**	**$40,584,830**	**$621.91**	**$114,055,829**	**$256.97**	**$56,991,956**	**$248.89**
Management Fee*	1,474,345	$22.59	7,946,492	$25.46	12,375,050	$27.88	2,611,055	$27.58	1,474,345	$22.59	12,375,050	$27.88	6,101,735	$26.65
Rerserves (1% of EGI)	1,474,345	$22.59	7,946,492	$25.46	12,375,050	$27.88	2,611,055	$27.58	1,474,345	$22.59	12,375,050	$27.88	6,101,735	$26.65
TOTAL ALL EXPENSES	$114,760,249	$1,758.55	$764,297,770	$2,448.37	$1,136,759,929	$2,561.17	$245,722,302	$2,595.33	$109,798,328	$1,682.52	$1,148,199,283	$2,586.94	$565,385,063	$2,469.07
NET OPERATING INCOME	**$32,674,220**	$500.69	**$30,351,394**	$97.23	**$100,745,083**	$226.98	**$15,383,245**	$162.48	**$37,636,141**	$576.73	**$89,305,729**	$201.21	**$44,788,485**	$195.59
Overall Expense Ratio	77.8%		96.2%		91.9%		94.1%		74.5%		92.8%		92.7%	

*Management Fee of 1.00% percent applied to all operating years

Adjusted Patient Days Range from 65K to 444K, Avg. 229K

The following table illustrates the occupancy by patient day and as a percentage of the total census for the comparables.

Proposed 300-Bed Medical Center Comparable Census Statistics							
Period	Lovelace Women's Hospital Year Ending 12/31/2013	University of New Mexico Hospital Year Ending 12/31/2013	Presbyterian Hospital Year Ending 12/31/2013	Lovelace Medical Center Year Ending 12/31/2013	**Minimum**	**Maximum**	**Average**
Number of Operating Beds	162	574	803	292	**162**	**803**	**458**
Total Inpatient Days	28,949	172,154	190,057	55,619	**28,949**	**190,057**	**111,695**
Potential Patient Days	59,130	209,510	293,095	106,580	**59,130**	**293,095**	**167,079**
Occupancy Rate	49.0%	82.2%	64.8%	52.2%	**49.0%**	**82.2%**	**62.0%**
Total Average Daily Census	79.3	471.7	520.7	152.4	**79.3**	**520.7**	**306.0**
Average Length of Stay	4.6	6.6	5.1	5.2	**4.6**	**6.6**	**5.4**
Total Outpatient Visits	48,600	620,200	669,600	36,700	**36,700**	**669,600**	**343,775**
Adjustment Factor	2.25	1.81	2.34	1.70	**1.70**	**2.34**	**2.03**
Total Adjusted Patient Days	65,258	312,166	443,845	94,678	**65,258**	**443,845**	**228,987**

The comparables reflected occupancy ranging from 49% to 82%, with an average of 62%. However, this occupancy only accounts for inpatient hospital days. **Outpatient visits makes up a significant component of hospital occupancy**. The comparables reflected outpatient visits ranging from 36,700 to 669,600 per year, with an average of 343,775 per year. The adjustment factor consists of the total gross patient revenue divided by the inpatient revenue, which ranged from 1.7 to 2.3, with an average of 2.0. Multiplying the adjustment factor by the total inpatient days results in the total adjusted patient days (APD). **The total adjusted patient days account for any outpatient visits generated at a hospital**.

Overall, a stabilized occupancy of 80% was considered generally reasonable for the Subject's inpatient days. This figure falls near the middle to upper-end of the range, which would be expected for a brand new hospital with limited competition in the immediate area. Utilizing an adjustment factor of 2.0 to 2.2 would also be considered reasonable within the middle to upper-end of the range. **The end result equates to total adjusted patient days of approximately 270,000 (stabilized) for the Subject**, which falls within the middle to upper-end of the range.

Revenue Per Adjusted Patient Day Concluded at $2,650

The following are the inpatient, outpatient and other payment sources for a short-term acute care hospital: Medicare/Managed Care, Medicare, Medicaid and Private Pay. In projecting market rates for hospitals, current reimbursement methodologies and historical per discharge revenues are typically considered on a payor-mix basis. (Revenues are typically discussed after contractual obligations.) Typically detailed discharges by payor type, patient days by payor type, and outpatient visits by payor type are not provided. Utilization data on a payor mix basis is also difficult to gather. Given this, we typically are unable to provide detailed analysis of rates and revenues on a payor-mix basis.

As an alternative, we examine gross and net patient revenues on an inpatient and outpatient basis, and also examine other patient revenues and non-patient revenues. The following table summarizes the actual inpatient and outpatient revenues on an adjusted patient day basis (APD).

Proposed 300-Bed Medical Center Comparable Revenue							
Net Revenues	**Lovelace Women's Hospital Year Ending 12/31/2013 Total**	**University of New Mexico Hospital Year Ending 12/31/2013 Total**	**Presbyterian Hospital Year Ending 12/31/2013 Total**	**Lovelace Medical Center Year Ending 12/31/2013 Total**	**Minimum**	**Maximum**	**Average**
Inpatient	$237,466,786	$854,453,291	$1,170,582,865	$710,492,984	$237,466,786	$1,170,582,865	$743,248,982
Outpatient	297,843,179	694,921,347	1,563,107,591	498,956,728	$297,843,179	$1,563,107,591	$763,707,211
Gross Patient Revenue	535,309,965	1,549,374,638	2,733,690,456	1,209,449,712	$535,309,965	$2,733,690,456	$1,506,956,193
Deductions from Revenue	389,935,380	884,987,462	1,533,230,141	952,461,966	$389,935,380	$1,533,230,141	$940,153,737
Net Patient Revenue	145,374,585	664,387,176	1,200,460,315	256,987,746	$145,374,585	$1,200,460,315	$566,802,456
Other Revenue	2,059,884	130,261,988	37,044,697	4,117,801	$2,059,884	$130,261,988	$43,371,093
Total Revenue	**$147,434,469**	**$794,649,164**	**$1,237,505,012**	**$261,105,547**	**$147,434,469**	**$1,237,505,012**	**$610,173,548**
Per (Adjusted) Patient Day							
Inpatient $/PPD	$8,203	$4,963	$6,159	$12,774	$4,963	$12,774	$8,025
Outpatient $/PPD	$6,128	$1,120	$2,334	$13,596	$1,120	$13,596	$5,795
Deductions $/APD	$5,975	$2,835	$3,454	$10,060	$2,835	$10,060	$5,581
Other $/APD	$31.57	$417.28	$83.46	$43.49	$31.57	$417.28	$143.95
Weighted Average $/APD	$2,259	$2,546	$2,788	$2,758	$2,259	$2,788	$2,588

The comparables reflected inpatient revenue ranging from $4,963 to $12,774 per APD, with an average of $8,025 per APD. Outpatient revenue per APD ranged from $1,120 to $13,596, with an average of $5,795. Deductions or contractual adjustments per APD ranged from $2,835 to $10,060, with an average of $5,581. Other revenue ranged from $31.57 to $417.28 per APD, with an average of $143.95 per APD. Overall, the comparables reflected a weighted average revenue per APD ranging from $2,259 to $2,788, with an average of $2,588. An estimate for the Subject near the middle to upper-end of the range was considered reasonable. **We have concluded to $2,650 per APD for our revenue estimate for the Subject.**

Town Center Hospital Annual Revenue Schedule

The following table illustrates the Subject's hospital absorption and revenue projections on an annual basis. We have assumed annual appreciation of 2.0% per year from the date of first delivery (2019). The annual appreciation assumption was based on what a typical investor would model.

ABSORPTION SCHEDULE																	
Land Use	Metric	Total Size	Stabilized Occupancy	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Hospital	Adjusted Patient Days (APD)		270,000					25,000	75,000	150,000	180,000	200,000	220,000	260,000	270,000	275,000	275,000

REVENUE SCHEDULE																	
Land Use	Metric	Avg. Revenue (2014)	Annual Appreciation	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Hospital	Revenue per APD	$2,650	2%					$66,250,000	$202,725,000	$413,559,000	$506,196,216	$573,689,045	$643,679,108	$775,925,907	$821,884,595	$853,846,774	$870,923,709

REVENUE APPRECIATION SCHEDULE																	
Land Use	Metric	Avg. Revenue (2014)	Annual Appreciation	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Hospital	Revenue per APD	$2,650	2%					$2,650	$2,703	$2,757	$2,812	$2,868	$2,926	$2,984	$3,044	$3,105	$3,167

Medical Office Market Analysis

For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Prepared by Cushman & Wakefield Western, Inc.

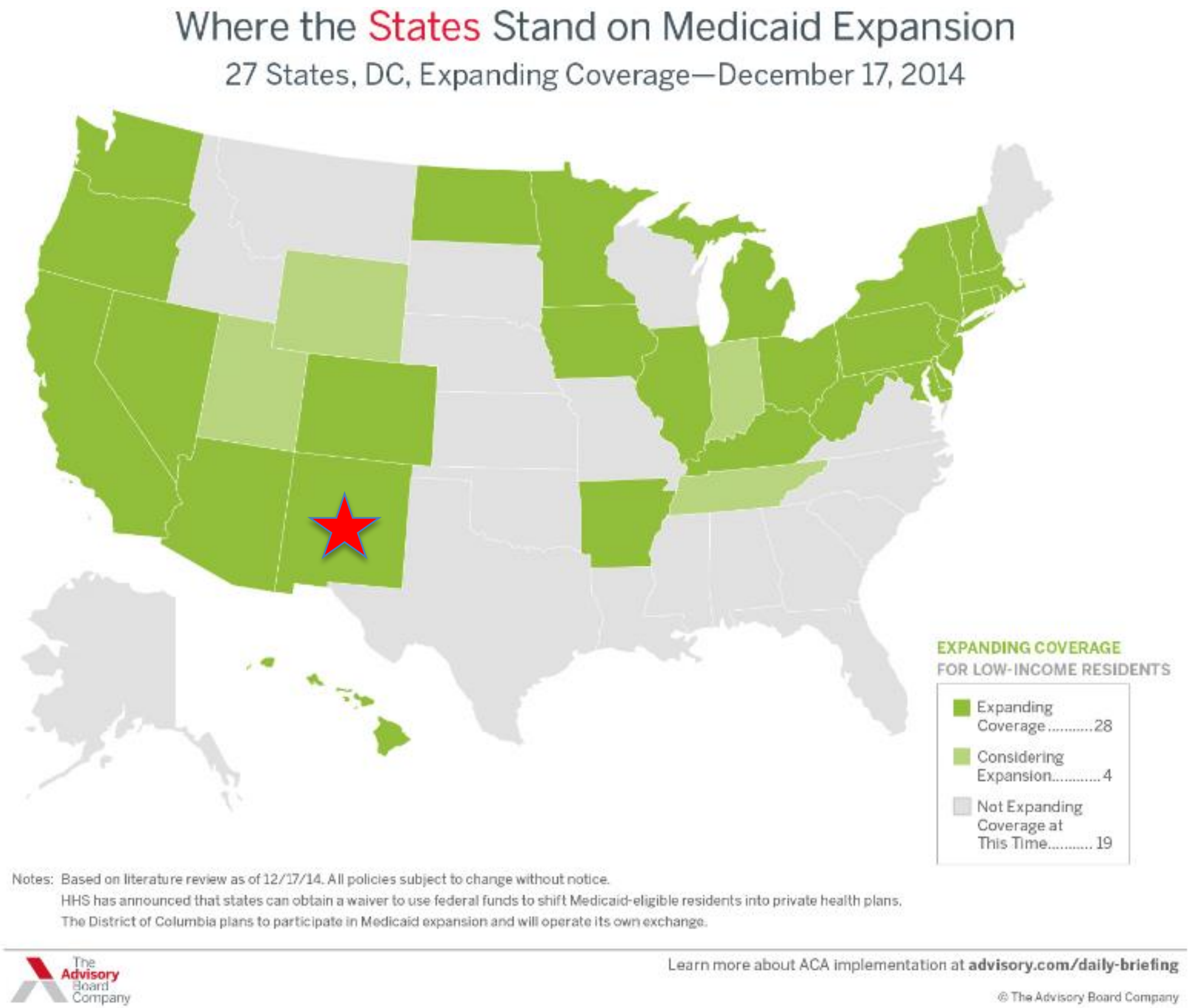
National Medical Office Market Remains Strong

The following market analysis addresses the national and local market trends for medical office product.

Cushman & Wakefield (C&W) has been conducting surveys of active participants in the medical office industry on a national basis since 2004. The results of the 2014 Medical Office Building (MOB) Investor Survey have been analyzed with lenders, real estate brokers and investors responding to questions on subjects such as capitalization and internal rates of return (IRR), as well as current trends and overall market conditions.

- **Market conditions for medical office buildings continue to remain upbeat with strong demand for class A, on-campus product far outweighing supply**. With healthcare reform having taken shape and various states opting in and out of the newly created insurance exchanges, some health systems and physician practice groups have put business plans into place to move forward under the new rules, though others remain on the sidelines as questions remain. Financial markets for good-quality, well sponsored healthcare facilities (both on- and off-campus) are vibrant, with LTVs increasing and interest rates continuing to remain at historically low levels. Leasing activity has picked up over the last 12 months as health systems, physician practice groups and independent physicians have become more accepting of future healthcare fundamentals, though not necessarily with politics from the federal and state levels.
- **Healthcare Reform is here and in-motion**. With its Individual Mandate mission statement that all individuals are required to obtain minimum coverage or pay a penalty, the initial phases of healthcare reform have begun. In typical government fashion, deadlines were missed and initial sign-ups were massively flawed. But at the end of the day, an estimated eight million people have signed up for subsidized insurance through a health exchange, with another nine million having signed on directly with Medicaid. What is not known, however, is what percentage of these signups was previously uninsured. **Several telephone polls illustrate anecdotal evidence that the ranks of the uninsured are dropping, which is a good sign for healthcare providers as more users are entering the system with payment capabilities**. However, the CBO recently revised its projections for healthcare signups to drop from the eight million figure to closer to six million, after initial payments come due and some signups choose not to pay and are dropped from coverage
- **States that chose to expand Medicaid coverage might be providing for a much better fiscal playing field for health providers**, as a large percentage of new signups were through the individual state exchanges where Medicaid was expanded. Health providers in these states are seeing a lower number of uninsured patients, which adds directly to their bottom line fiscal health. There has been discussion from ratings agencies that providers who have a large presence in non-Medicaid expansion states may face added ratings scrutiny over the next few years due to higher charity care exposure. Twenty six states plus the District of Columbia have opted to expand Medicaid coverage to low income individuals, with the remaining states choosing not to expand coverage. Generally speaking, the Northeastern, Midwestern, and Western states have expanded coverage, while the Southern and Great Plains states have not expanded coverage.

New Mexico Expands Medicaid Coverage



Affordable Care Act Expands Insured Ranks

It is important to note that, while the political message surrounding the Affordable Care Act (ACA) is designed to convey a message of lower healthcare costs, the ACA was written to expand insured ranks, not reduce healthcare costs. Given the extension of healthcare enrollment well into 2014, numerous health insurers have shied away from providing final guidance on premium hikes for 2015. WellPoint, the prime insurance beneficiary of new signups (e.g. they accounted for an estimated 25% of new enrollees in CA alone), recently announced that premium increases would be in excess of 10%. A majority of analysts and insurance actuary's have provided projected premium increases ranging from 6 to 12%, which is right in line with pre-ACA insurance premium hikes. What is clear, however, is that the state and federal insurance exchanges are here to stay, with no major insurance provider having indicated its intent to exit an exchange where it already has a presence, and with several providers signaling their intent to enter new markets.

A driving force in whether healthcare reform is able to break the healthcare cost curve is largely dependent on whether substantial numbers of new enrollees are in the coveted 18 to 34 year old demographic profile ("the invincibles"). This age group is the most appealing demographic sector to insurance providers as these people have the lowest healthcare costs, which helps defray the higher healthcare expenditures of the older demographics. According to a White House "fact sheet," 28% of sign-ups were from people aged 18-24, with 35% of sign-ups under the age of 35. While these percentages are below initial projections, as well as percentages warranted to lower healthcare premiums, they are significant enough that serious discussion has begun as to whether or not healthcare reform will ultimately be cost effective legislation. In addition, new discussions have begun as to what future initiatives can be implemented in order to further reduce costs and improve care.

Who is ultimately going to pay for the cost of the ACA is still up for debate. Insurance plans saw more patients move to higher-deductible plans in order to keep insurance premium growth in the single digits as employers are increasingly passing along rate increases directly to employees. **The federal government indicated that it would pay for 100% of the costs to states that expanded Medicaid coverage for the first three years, with the promise to cover no less than 90% of costs in future years**. Critics of ACA point to this issue claiming that this was really a power grab by the federal government as it eventually leads to a single payor insurance exchange.

Healthcare REIT Valuations Return to More Realistic Levels

Since our 2013 MOB Investor Survey, **healthcare REITs have been dragged back to earth in comparison to their 2013 valuations**. The table below illustrates the 52-week highs and lows for several of the larger publicly traded REITs.

REIT HIGH & LOWS						
STOCK	CURRENT PRICE	52 WEEK HIGH	52 WEEK LOW	MARKET CAPITALIZATION	ENTERPRISE VALUE	FORWARD ANNUAL DIVIDEND YIELD
HR	$24.93	$30.59	$20.85	$2.38 B	$3.73 B	4.80%
HCN	$62.18	$80.07	$52.43	$17.92 B	$28.78 B	5.10%
VTR	$65.00	$84.11	$54.89	$18.98 B	$28.44 B	4.50%
HCP	$40.82	$56.06	$35.50	$18.58 B	$27.19 B	5.40%
SNH	$22.97	$29.99	$20.70	$4.33 B	$6.10 B	6.90%
HTA	$11.60	$13.34	$9.71	$2.75 B	$3.94 B	5.00%
DOC	$13.62	$14.00	$11.00	$292.5 M	$276.2 M	6.70%
MPW	$13.28	$17.73	$11.47	$2.13 B	$3.53 B	6.30%
All data as of April 22, 2014 – *Yahoo Finance*						

As indicated, the publicly traded Healthcare REITs are generally trading slightly below the midpoint of their respective 52-week high/low points. **In comparison to our 2012 survey results, most of the REITs witnessed an approximate 10 to 30% decrease in share price. This downward movement is largely a response to more "realistic" pricing valuations as it relates to underlying real estate fundamentals, as opposed to the "juiced" stock prices witnessed last year**. The decrease in share prices has been partially offset by increases in the forward annual dividend yield in comparison to 2012 figures. The lowering of stock prices has led to an "increased cost of capital" according to one REIT, and they have lowered their acquisition underwriting in response. This seems to be primarily limited to public REITS, as private REITs and other pension fund investors continue to be aggressive in their pricing assumptions.

Favorable Market Conditions & Demographics Driving Prices

Favorable capital markets, strong leasing fundamentals and encouraging demographics continue to drive prices for healthcare facilities. If this sounds like déjà-vu from the 2013 survey, it is. These three drivers continue to be the primer behind the pump for strong pricing assumptions. **Coupled with a lack of supply of good-quality, core class A, on-campus MOB opportunities, investors in healthcare real estate have started to look higher up the acuity chain for healthcare real estate that encompasses hospitals, Ambulatory Surgery Centers (ASCs), free-standing emergency departments and other specialized healthcare assets in their search for higher yields**. Both Carter Validus and Physicians Realty Trust (private REITS) have jumped into the short-term acute care hospital field by acquiring numerous hospitals on a national basis over the last 12 months, with numerous acquisitions in their crosshairs. As hospitals look to monetize assets, it is no longer an MOB only field, as investors are also looking to acquire rehab hospitals, LTACHs, specialty hospitals and other higher acuity properties that were once deemed "off-limits" by health systems.

Given the maturing of the MOB asset class, as well as the proliferation of healthcare REITs and their ever increasing MOB inventory, one has to wonder how much MOB product is left that is considered to be "institutional-quality" or monetizeable. Spirited discussions with some of the best and brightest healthcare real estate experts came to a non-conclusive, very wide range. On the lower end, several experts indicated that only 25 to 35% of the product has been monetized, while most pundits seemed to center their thoughts on the 40 to 60% range. There were even a few folks that indicated that close to 75% of product has already been monetized. Wherever the number shakes out, with approximately 5,700 hospitals in the U.S. and an average of three MOBs that would be considered institutional grade (17,000± MOBs) at some point the product supply will run out. This thought also comes home in that a majority of new MOBs are being monetized as soon as they are being built (as they are being developed by third-party operators), further limiting the supply of available product to more reasonable CPI or population based growth models.

New Medical Office Development Slowing Overall

In discussions with several of the larger healthcare REITs as well as several of the larger, national medical office development firms, there seems to be an overall slow-down in new development. While several developers would take exception to this statement, as they are reporting that they are busier than they have ever been, on consensus it seems that timelines for developing new medical buildings are being stretched and delayed as health systems continue to work through a variety of issues when deciding to pursue new developments. In certain cases, health systems that developed new on-campus or ambulatory product in the last big development cycle (2005-2008), did so with 10 to 25% of speculative space in these buildings, which is just now being utilized and occupied. In other cases, health systems that were more constrained historically in their building decisions, and developed on an as needed basis, currently see the demand for more space as the economy has regained traction and more elective healthcare procedures are being performed have begun to develop new facilities. While we see the physician acquisition process slowing on a move-forward basis (as most physician practice groups that should have been acquired have been acquired, leaving less desirable groups that should not be acquired), many newly employed physicians and physician groups have associated real estate that they bring along with them. Some of the larger physician groups have entered into longer lease terms for their existing space that must either be honored by the health system or bought out in order to consolidate these physicians into more strategic locations.

While off-campus ambulatory real estate continues to be at the fore-front of health systems strategic drive, the hospital campus continues to be the primary focus for most independent hospitals. Off-campus MOBs have been and will continue to be strategically located in under-developed markets or in over-developed competitor markets in order for hospitals to attract new patients. The new patients in these new locations will be hospital patients when acute hospitalization events arise. For less acute situations, off-campus MOBs generally provide a cheaper servicing alternative than having these patients serviced on-campus.

We continue to see development of off-campus urgent care centers as a way to provide efficient low-cost service for patients that do not require specialization. Health systems are intent on being active in this area, as they are actively building their own network of urgent care facilities or forming partnerships with physician groups to develop off-campus facilities. New development of free-standing Emergency Departments (EDs) has also spiked over the last few years, with both health systems and physician groups entering into the mix, either on their own, or as a joint-venture operation. Questions about long-term reimbursement rates for the free-standing EDs versus Urgent Care facilities have led some experts to question the long-term success of free-standing EDs (arguments are likened to the imaging center explosion in the 1990s and 2000s and subsequent reduction in reimbursement by CMS).

Cushman & Wakefield recently published a white paper titled "Heading to the Mall for Healthcare" that delves into reasons why health systems are likely to explore and move into more retail locations in order to drive new patients. It also explores how traditional retail models are being challenged by current economic conditions, and why healthcare reform may push health systems delivery models into ever changing retail space in its attempts to bend the cost curve and compete more on the basis of branding.

MOB Rents Up Slightly in Low Interest Rate Environment

The C&W Healthcare Practice Group is beginning to see slight upward movement in rental rates in comparison to our 2012 and 2013 surveys. New construction, class A medical office space are generally achieving rental rates ranging from $18.00 to $24.00 per square foot (psf), net on a national basis – which is an approximate $2.00 psf increase to the higher end of the range (all rental rate ranges exclude the higher priced coastal markets such as NYC, LA, San Francisco, Boston, etc.). **The primary reasons stated for the upward trend in rental rates are increased construction costs and the expanding economy**. As space build-out becomes more specialized, imaging spaces are generally ranging from $22.50 to $30.00 psf, net; cancer centers generally exhibit rates ranging from $25.00 to $40.00 psf, net (rate is highly dependent on the number of vault rooms); and ASCs generally are recording rates from $30.00 to $45.00 psf, net. At all acuity levels, we are witnessing tenants spending an additional $10.00 to $50.00 psf in tenant improvement dollars to enhance their space.

Personal guarantees from physicians or from managing members of larger physician groups continue to be included on most lease terms for good-quality medical office space. **We have seen a renewed interest in longer term leases from health systems** that appear to have come to grips with the inevitable FASB accounting rules changes that will bring leases on balance sheet. Lease terms generally range from 7 to 15 years in length for larger spaces with 10 years being most prevalent.

The low interest rate environment for commercial real estate, healthcare real estate in particular, continues to be one of the primary drivers of value in the current market. Investors are able to obtain mortgage financing for well sponsored MOBs at rates generally ranging from a low of 3.0% for owner occupied properties to approximately 3.5% to 5.0% for typical medical office properties. Currently, LTVs for well sponsored MOBs with strong operating characteristics approximate 60 to 85%, with the upper-end of the range occurring with more frequency as the market continues to improve.

Deal flow continues to remain strong, with several large portfolios trading over the last year, and several large portfolios on the market. Most notably, the CapMed medical office portfolio was purchased by Harrison Street Real Estate Capital for approximately $500 million, and includes 22 medical office buildings totaling approximately 1.5 million square feet around the Washington, D.C. MSA. As with the 2012 and 2013 MOB Investor Survey, a majority of product that has transacted or is currently on the market for sale is third-party controlled. There are early signs that health system monetization might be on the uptick for 2014 and 2015, as several deals have hit the market recently or are expected to come to market over the next 12 months.

On medical office transactions that the C&W Healthcare Practice Group has brokered over the last 12 months (in excess of $250 million), **bid strength has been strong, with most deals receiving in excess of 15 offers per transaction, and the top five or so offers for each deal within a tight range in terms and pricing**. Acquiring groups have increased earnest money, reduced due diligence periods and removed financing contingencies in order to win deals.

Capitalization & Yield Rates Decline as Values Increase

Class A, on-campus assets continue to witness capitalization rate compression and increasing values, as the average going-in capitalization rate declined from 6.67% to 6.46% over the last 12 months. **Assets that are considered "core" are trading at substantially lower levels**, with most deals currently pricing from approximately 5.25% to 6.00% capitalization rates. Core assets are generally defined as on-campus, class A medical office buildings that were recently constructed with long-term leases to investment grade credit tenants. Pricing for such assets exceeds levels witnessed prior to the economic downturn.

Yield rates (IRRs) have also witnessed similar decreases, as institutional investors are continuing their quest for yield in the current market. Most institutional funds are targeting yield rates from 7.00% to 8.50% for good quality medical office assets, with "core" product yields approximately 50 to 75 basis points lower. Several medical office brokers and investors have noted that portfolio premiums are back in the market. While difficult to quantify, several brokers and investors alike noted that a 25 to 50 basis point premium is in the market for portfolios in excess of $300 million. To further complicate the issue, a well known third-party mortgage banking firm stated that, "while there should be a portfolio premium for quality MOB portfolios in excess of $250 to $300 million, pricing parameters for individual good quality MOB assets are currently so aggressive that when funds take a step back and look at the overall portfolio pricing structure, they are having a difficult time adding a portfolio premium."

The market continues to remain bifurcated between class A, on-campus and class B, off-campus product, with class A, on-campus and "core" product being heavily favored. **Investors continue to view MOBs as a favored asset class, given the continued strong fundamentals of medical office leasing and healthcare demographics in general**.

The recent national medical office trends have had a strong affect locally. **National trends that affect the local market place include the recent divestiture of medical office buildings by large national healthcare providers in an effort to free up capital and the recent legislation and future proposed legislation that could potentially limit a physician's ability to own medical office buildings**. The end result has been the creation of a specialized investment alternative, which has generated interest by prospective investors primarily due to the stable income stream typically associated with medical office buildings.

Albuquerque MOB Market Reflects 12%± Overall Vacancy

CoStar performed a Medical Office Report as of Third Quarter 2014, which tracked a **total of 4,495,792 square feet of medical office space within the Albuquerque medical office market submarket within 304 Class A and B medical office buildings**. However, it should be noted that Costar also includes office/medical office space in this analysis, which in most cases includes traditional office and some retail space. Thus the total inventory may be slightly overstated.

Additionally Costar surveys broker marketed space, and much of the health care company owned medical office space on hospital campuses is not surveyed by Costar. **Given the preferable location of these hospital campus MOBs and their generally good quality, these buildings typically achieve premium rents and experience less vacancy than do off campus MOBs**. The following chart summarizes vacancy, absorption, and average asking rents for the Albuquerque Medical Office Market as of Third Quarter 2014.

Availability and Vacancy Analysis

Grand Totals

	Bldgs	Existing Rentable Bldg Area	Direct SF Vacant	Vacant Rate %	Direct w/ Sublet SF Vacant	Vacant % with Sublet	Total SF Available	Direct SF Available	Sublet SF Available	Max SF Contig	Avg Rate
	304	4,495,792	552,927	12.3%	552,927	12.3%	579,865	577,390	2,475	100,379	$16.11/fs

Based on the survey produced by Costar Inc., the most recent figures reflect a 12.3% overall vacancy rate for the Albuquerque medical office market. Once again, **this vacancy factor excludes much of the space on hospital campuses which typically experience very low vacancy due to their preferable locations. It also includes some non-medical space, which has contributed to the higher than typical vacancy**. The Subject property is not included in the illustrated statistics. Historically, vacancy rates have been low, ranging from 5 to 10%.

Albuquerque MOB Asking Rents from $16 to $21± NNN

Based on a survey produced from Costar Inc., the most recent medical office asking rents throughout the Albuquerque MSA medical office market range from $16.00 to $20.50 per square foot, on a net basis, with an average of $19.93 per square foot, net. The following chart summarizes current medical office asking rents throughout the Albuquerque medical office market.

Face Rent Analysis Report

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Medical									
Modified Gross	1	$12.00	$12.00	$12.00	0	-	-	-	$12.00
Triple Net	6	$16.00	$19.93	$20.50	0	-	-	-	$19.93
Off/Med									
Full Service Gross	3	$14.50	$18.70	$20.00	0	-	-	-	$18.70
Modified Gross	6	$10.00	$14.99	$21.00	0	-	-	-	$14.99
Triple Net	16	$12.50	$16.86	$23.00	1	$14.30	$14.30	$14.30	$16.83
Off/Ret									
Plus All Utilities	2	$12.00	$12.57	$12.75	0	-	-	-	$12.57
Triple Net	1	$12.75	$12.75	$12.75	0	-	-	-	$12.75
Office									
Full Service Gross	1	$14.50	$14.50	$14.50	0	-	-	-	$14.50
Modified Gross	13	$9.83	$14.25	$17.50	0	-	-	-	$14.25
Negotiable	14	-	-	-	0	-	-	-	-
Plus All Utilities	1	$22.50	$22.50	$22.50	0	-	-	-	$22.50
Triple Net	9	$10.00	$14.55	$17.50	0	-	-	-	$14.55

The typical medical office development in the Subject's market includes either a concrete block/brick or steel frame, with stone, stucco, or glass exteriors, elevators, and 4:1,000 or higher parking. Typical local medical office developments have an FAR of .30 to .45. Attractive design features include glass entry doors with reception/waiting area, wide hallways, and easy access restrooms.

Future Town Center MOB is Well Positioned

Based on our research and analysis, the Subject improvements will serve the local area and compete with other on-, and off-campus medical office buildings. **The Subject improvements will be located near the intersection of two heavily travelled suburban commuter routes, in an area that is witnessing increasing population growth demographics**. The Subject's design is good and conforms to the local market design features noted on the previous page. **There is nearby freeway access to the Subject, which is important to the building tenants**. The target users/tenants for the Subject would be local and regional physician groups and health systems, which would serve the entire MSA and surrounding region. The current tenants serve this market well.

The most likely purchaser of the Subject MOB would be a regional or national investor. **Regional investors are presently plentiful and active, due to solid medical office building market conditions and the availability of capital in comparison to other property types**. Purchase capital is considered available and reasonably priced. According to our investigations, financial institution debt is available for placement in local medical office property. Interest rates are reasonable as well. **We consider the tenant market for the Subject improvements to be strong**. The Subject could accommodate a majority of the tenant types prevalent in the submarket. A tenant would be attracted to the Subject due to its location at the intersection of two heavily travelled suburban commuter route and nearby freeway access.

The Subject medical office space consists of a proposed on-campus 300,000 square feet of medical office professional building as well as 211,500 square feet of off-campus/adjacent medical office space. In the following pages, we will discuss how the Subject will compare and compete with existing facilities in its market area. We will also determine probable demand for the proposed medical space on local supply and demand factors.

To determine potential demand for a medical office building, the following formulas and cross checks are generally utilized by medical office developers. Incorporating the formulas into the analysis will first determine net demand for hospital beds in the Subject's MSA, then the Subject's primary market area, followed by demand for hospital beds, then demand for medical office space based on market levels of space required for medical office.

Demand for Medical Office Space
Population in the Primary Trade area - 15-mile radius
Times Bed Requirement per Population Unit
Indicated # of Beds
Number of Beds in Primary Market Area
Times 2,000 SF of MOB Space per Bed
Total Demand for Medical Office Space

Demand for Hospital Beds in 15-Mile Radius Calculated First

To establish the Subject's trade area, our analysis focuses on the trade area's population. Claritas, Inc. provides historical current and forecasted population estimates for the total area. It is noted that the Subject development is projected to be developed with construction start dates ranging from 2016 to 2021, which goes beyond our demographic data provided. Thus, we have assumed a similar growth beginning in 2020 and beyond.

DEMOGRAPHIC SUMMARY								
			Radius					
			5.0 miles	10.0 miles	15.0 miles	Bernalillo County	New Mexico State	Entire US
POPULATION STATISTICS								
2000			104,131	309,721	**579,952**	555,950	1,819,034	281,394,317
2010			152,766	403,588	**702,893**	662,568	2,059,170	308,725,722
2014			160,274	418,533	**722,114**	679,392	2,098,250	317,178,116
2019			168,806	435,651	**744,560**	699,477	2,146,793	328,287,020
2024			170,562	439,136	**749,102**	703,534	2,156,668	330,552,200
Compound Annual Change								
2000	-	2014	3.13%	2.17%	**1.58%**	1.44%	1.03%	0.86%
2014	-	2019	1.04%	0.80%	**0.61%**	0.58%	0.46%	0.69%
2019	-	2024	1.04%	0.80%	**0.61%**	0.58%	0.46%	0.69%

We have utilized the population statistics to project future demand for beds. As previously mentioned in the hospital bed demand conclusion, there was sufficient demand for 300 hospital beds which was indicated by 2.31 beds per 1,000 in population assuming a primary service area of 5-mile radius for the Subject development. As the population grows within the Subject PSA, the number of hospital beds per 1,000 of population declines to 2.18 beds per 1,000 in population by 2019, which further supports demand for the Subject 300 hospital beds.

For the purposes of our analysis, we have estimated 2.5 beds per 1,000 in population within the 15-mile radius. We have utilized projected population numbers for 2019 and 2024 to determine the demand for the number of hospital beds which in turn will lead us to demand for medical office space.

Demand for Hospital Beds in 2019 - 15 Mile Radius	
Total Albuquerque Market Area Population	744,560
Times Bed Requriements per Population Unit per 1,000	2.5
Indicated Number of Beds	**1,861**
Demand for Hospital Beds in 2024 - 15 Mile Radius	
Total Albuquerque Market Area Population	767,548
Times Bed Requriements per Population Unit per 1,000	2.5
Indicated Number of Beds	**1,919**

Demand for MOB Calculated on Beds in 15-Mile Radius

The last general matrix utilized by developers of medical office buildings relates to the number of beds at a hospital and total medical office space requirements. While we are not aware of any official studies that have been published regarding this matrix, **we have been told by numerous developers of medical office buildings that they typically use a figure of approximately 2,000 square feet for each hospital bed**. Again, this figure might be slightly higher or lower depending on a hospitals urban or rural location, as well as the market reputation of the hospital. The proposed hospital will have 300 beds on the hospital campus and is a suburban location with a market leading reputation, as such, we have utilized a figure of 2,000 square feet per bed, which is in line with the benchmark.

There are a total of 2,131 hospital beds located in a 15-mile radius of the Subject. By 2024 there will be an additional 300 beds provided by the Subject property resulting in 2,431 beds within the primary trade area. **To determine the demand for medical office space we have utilized a figure of 2,000 square feet which is in line with the benchmark and applied this figure to the number of beds in a 15-mile radius of the Subject.**

Demand for Medical Office Space in 2019 - 15 Mile Radius	
Number of Beds in 15 Mile Radius	2,131
Times Average 2,000 SF per Bed	2,000
Total Demand for Medical Office Space	**4,262,000**

**This is inclusive of on and off campus medical office space*

Demand for Medical Office Space in 2024 - 15 Mile Radius	
Number of Beds in 15 Mile Radius	2,431
Times Average 2,000 SF per Bed	2,000
Total Demand for Medical Office Space	**4,862,000**

**This is inclusive of on and off campus medical office space*

To determine the future supply in the primary trade area we have relied on information provided by CoStar. The chart below takes into account the existing supply, near-term supply under construction and forecasts based on population change within a 15-mile radius of the Subject. It is noted that we have applied a criteria of only Class A and Class B medical office buildings as we have found that including Class C medical office space often includes space which is not truly medical.

Albuquerque MOB Supply - 15 Mile Radius		
Inventory	**2019**	**2024**
Existing Buildings	283	283
Existing SF	4,497,334	4,908,834
Availability		
Vacancy Rate	12.2%	12.2%
Vacant SF	518,997	518,997
Gross Rent Per SF	$16.42	$16.42

** Source: CoStar - Please note this is only Class A and B*

2019 Figures include 200,000SF at subject; 2024 figures include 411,500 SF at subject

Existing MOB Supply in Primary Trade Area Totals 1.26M SF

We have also collected information on medical office space located on-campus or adjacent to a hospital. We have provided medical office space inventory by each hospital in the primary trade area.

MOB Supply by Hospital

Hospital	On/Off Campus	Class	MOB SF	Occupancy	Vacant SF	Asking Rates
Lovelace Medical Center - 292 Beds						
715 Martin Luther King Ave NE	On-Campus	B	52,000	100%	0	N/A
Lovelace Medical Towers - 500 Walter St NE	On-Campus	B	76,715	100%	0	N/A
239 Elm St NE	Adjacent	B	28,886	100%	0	N/A
806 Dr Martin Luther King Jr ave	Adjacent	B	20,067	100%	0	N/A
Total MOB Space:			177,668			
Lovelace Westside Hospital - 71 Beds						
West Mesa Professional Center - 4801 McMahon Blvd	On-Campus	B	68,000	100%	0	N/A
Westside Medical Pavilion - 10511 Golf Course Rd NW	On-Campus	B	21,300	58%	8,925	$20.00 Full Service
4808 McMahon Boulevard	Adjacent	B	137,669	100%	0	
4824 McMahon Boulevard NW	Adjacent	B	21,320	91%	1,919	$16.50 MG
Total MOB Space:			248,289			
Lovelace Women's Hospital - 162 Beds						
4600 Montgomery Blvd NE	Adjacent	B	18,000	100%	0	N/A
101 Hospital Loop NE	Adjacent	B	42,612	92%	3,409	Will not Disclose
4710 Jefferson Blvd NE	Adjacent	B	8,520	41%	5,027	$16.00 NNN
4610 Jefferson Ln NE	Adjacent	B	5,865	100%	0	N/A
4620 Jefferson Ln NE	Adjacent	B	9,170	100%	0	N/A
4630 Jefferson Ln NE	Adjacent	B	8,389	100%	0	N/A
4640 Jefferson Ln NE	Adjacent	B	7,391	100%	0	N/A
4650 Jefferson Ln NE	Adjacent	B	8,675	100%	0	N/A
4700 Jefferson Rd NE	Adjacent	B	30,914	100%	0	N/A
4620 Jefferson Way NE	Adjacent	B	5,291	100%	0	N/A
4103-4117 Montgomery Blvd NE	Adjacent	B	10,140	38%	6,287	$12 MG
4233-4273 Montgomery Blvd NE	Adjacent	B	22,303	-	-	-
Total MOB Space:			177,270			
Presbyterian Kaseman Hospital - 85 Beds						
8307 Constitution NE	Adjacent	B	7000	0%	7,000	$10 MG
8401 Constitution Ave NE	Adjacent	C	13,442	100%	0	N/A
8020 Constitution Pl NE	Adjacent	B	11,277	100%	0	N/A
2100 Constitution Pl NE	Adjacent	B	23,316	100%	0	N/A
8120 Constitution Pl NE	Adjacent	B	6,981	100%	0	N/A
8308 Constitution Pl NE	Adjacent	B	5,381	100%	0	N/A
8324 Constitution Place NE	Adjacent	B	6,266	100%	0	N/A
8312 Kaseman Ct NE	Adjacent	B	15,667	100%	0	N/A
8316 Kaseman Ct NE	Adjacent	B	5,489	100%	0	N/A
1325 Wyoming Blvd NE	Adjacent	B	12,236	100%	0	N/A
Total MOB Space:			107,055			
University of New Mexico Hospital - 574 Beds						
2500 Marble Ave NE		B	57,332	100%		
Total MOB Space:			57,332			
Presbyterian Hospital - 803 Beds						
115 Cedar St Ne	Adjacent	B	6,200	100%	0	N/A
301 Cedar St SE	Adjacent	B	15,733	100%	0	N/A
415 Cedar St SE	Adjacent	B	19,000	100%	0	N/A
1115 Central Ave NE	Adjacent	B	7,200	100%	0	N/A
1400 Central Ave SE	Adjacent	B	24,000	100%	0	N/A
1001 Cola Ave SE	Adjacent	B	14,082	0%	14,082	$18.00 PSF
1203 Coal Ave SE	Adjacent	B	7,200	100%	0	N/A
1114 Copper Ave NE	Adjacent	B	5,715	100%	0	N/A
881-883 Lead Ave NE	Adjacent	B	9,640	100%	0	N/A
1010 Lead Ave SE	Adjacent	B	7,359	100%	0	N/A
1100 Lead Ave SE	Adjacent	B	11,100	100%	0	N/A
200 Oak St NE	Adjacent	B	12,223	100%	0	N/A
1020 Tijeras Ave NE	Adjacent	B	6,120	100%	0	N/A
Total MOB Space:			145,572			
Heart Hospital of NM at Lovelace Medical Center - 55 Beds						
610 Broadway Blvd NE	Adjacent	B	11,000	100%	0	
401 Edith Blvd NE	Adjacent	B	10,950	0%	10,950	$19.75 NNN
522 Lomas Bvld NE	Adjacent	B	6,168	100%	0	
Four Woodward Center - 700 Lomas Blvd NE	Adjacent	B	5,879	100%	0	
One Woodward Center - 700 Lomas Blvd NE	Adjacent	B	6,971	100%	0	
715 Martin Luther King Ave	Adjacent	B	52,000	100%	0	
500 Walter St NE	Adjacent	B	76,715	100%	0	
Total MOB Space:			344,698			
TOTAL MOB SPACE			**1,257,884**			

Source: CoStar

MOB Market Generally Considered to be in Equilibrium

The equilibrium forecast is typically estimated based on a "stabilized" occupancy level as it is unlikely that the occupancy will remain at 100% throughout the holding period given turnover periods and other factors that result in tenants vacating. However, **given the location of the medical office space on or adjacent to a hospital campus, and the overall demand levels for medical office space in the area, the stabilized occupancy is forecast to be relatively strong**. In this analysis, we forecast a stabilized occupancy rate of 93.0% (7.0% vacancy) for medical office space.

Based on the previously estimated demand of 4,262,000 square feet for 2019 and 4,862,000 square feet for 2024 square feet of medical office space and a net available supply of 4,182,521 square feet for 2019 and 4,565,216 square feet for 2024 (adjusted for the forecast stabilized vacancy rate of 7.0%), the market exhibits excess demand of 79,479 square feet in 2019 and 296,784 square feet in 2024. Based on these statistics, **the market will likely be approximately 6 to 14% undersupplied. This level of imbalance is generally considered to be minimal and the overall market is generally considered to be in equilibrium.**

Assuming this to be the stabilized occupancy rate for the competitive market, our equilibrium forecast follows.

Equilibirum Forecast		
	2019	**2024**
Projected Demand for MOB Space in 15-miles	4,262,000	4,862,000
Existing Supply (SF)	4,297,334	4,497,334
Less: Stabilized Vacancy at 7%	300,813	314,813
Net Available Supply	3,996,521	4,182,521
Excess Demand	265,479	679,479
Equilibrium Forecast	Undersupplied	Undersupplied
Percent Undersupplied	6%	14%

Given the supply/demand analysis, **we conclude that the market is generally operating at equilibrium for medical office space. However, there is demand for additional hospital beds, which will subsequently drive demand for additional medical office space**.

In the following section, we estimate a specific capture rate for the Subject property itself.

Town Center MOB Needs to Capture 70% of Demand in 2019

A capture rate is essentially the measure of supply a given property must absorb (or capture) in order to achieve an estimated occupancy level. **We have forecast a stabilized vacancy rate of 7.0% for the overall Albuquerque medical office market. We have also projected a 5.0% vacancy and collection loss rate for the Subject property professional office building and a 7.0% vacancy and collection loss rate for the off-campus medical office space**. The chart below depicts the Subject's estimated capture rate based on our projection of its stabilized occupancy level.

Subject Capture Rate Estimate		
Description	**2019**	**2024**
Total Subject Hospital Beds	100	200
Times Average 2,000 SF per Bed	200,000	400,000
Total Net Demand for Medical Office Space	200,000	400,000
Excess Demand	265,479	679,479
Total Subject Square Feet	200,000	311,500
Subject Property at 93.0 Percent Occupancy	186,000	289,695
Subject Capture Rate	**70.1%**	**42.6%**

Based on the preceding data, the Subject property development would need to capture 70.1% of the estimated demand in 2019, and 42.6% of the estimated demand in 2024.

Given current medical office economics, most on-campus medical office projects need to reach a level of 70% pre-leasing in order to obtain construction financing. As such, we have assumed that the Subject's medical office space will be 70% leased upon construction completion. This is a somewhat conservative assumption considering that additional leasing momentum typically occurs once construction commences.

Town Center MOB to be Developed in Concert with Hospital

We forecast the following three-phase construction and absorption schedule for the Subject based on the preceding analysis. Phase One consists of an initial 200,000 square foot on-campus medical office building that will be developed in conjunction with the initial bed-tower at the hospital campus. We forecast an absorption period of three-years, which is assumed to be 50% pre-leased upon construction completion. Absorption of 7,500 square feet per quarter is assumed to follow until reaching stabilized occupancy of 95% (190,000 SF). Phase One is projected to be the initial development on the proposed hospital campus and the slightly extended absorption period is due to the construction of the initial bed tower proposed to commence 12 months after the initial medical office building.

This type of phased development is typical for new hospital campuses whereby initial emergency services such as free-standing ED's and urgent care facilities are constructed, along with associated medical office space in order to gauge actual demand for healthcare services prior to constructing high-dollar patient bed-towers.

Phase Two consists of a 100,000 square foot on-campus medical office building as well as 100,000 square feet of off-campus medical development, coinciding with the completion of the second 100-bed hospital tower. We forecast an absorption period of two-years, which is assumed to be 70% pre-leased. Absorption of 7,500 square feet per quarter is assumed until reaching stabilized occupancy of 95% and 93% (188,000 SF), respectively.

Phase Three consists of the remaining 111,500 square feet of off-campus medical office space, coinciding with the completion of the third 100-bed hospital tower. We forecast an absorption period of 1.25 years, which is assumed to be 70% pre-leased. Absorption of 7,500 square feet per quarter is assumed until reaching stabilized occupancy of 93% (103,695 SF).

Construction & Absorption Estimates for Medical Office Space

Development Stage	Quarter		Absportion Assumptions	
Construction Period (18 Months)			Total Square Feet	511,500
Start Construction	1Q - 2017		Absorption Rate	5,000 to 10,000 per quarter
Start Absorption	2Q - 2018		Phases	3
End Construction	2Q - 2024		Stabilized Occupancy	95% & 93%
End Absportion	2Q - 2025			

Quarter	Development Stage	Phase 1 On-Campus MOB	Phase 2 On-Campus MOB	Phase 3 - Adjacent MOB Space
1Q - 2017	Start Construction - Phase 1			
2Q - 2017				
3Q - 2017				
4Q - 2017				
1Q - 2018	End Construction - Phase 1			
2Q - 2018	Phase 1 - Absorption Begin	100,000		
3Q - 2018		7,500		
4Q - 2018		7,500		
1Q - 2019		7,500		
2Q - 2019		7,500		
3Q - 2019		7,500		
4Q - 2019		7,500		
1Q - 2020		7,500		
2Q - 2020		7,500		
3Q - 2020		7,500		
4Q - 2020	Start Construction - Phase 2	7,500		
1Q - 2021		7,500		
2Q - 2021	Phase 1 - Absorption End	7,500		
3Q - 2021				
4Q - 2021				
1Q - 2022	End Construction Phase 2/Phase 2 Absorption Begin		140,000	
2Q - 2022			7,500	
3Q - 2022			7,500	
4Q - 2022			7,500	
1Q - 2023			7,500	
2Q - 2023	Start Construction - Phase 3		7,500	
3Q - 2023			7,500	
4Q - 2023			3,000	
1Q - 2024	Phase 2 - Absportion End			
2Q - 2024	End Construction - Phase 3/Phase 3 Absorption Begin			78,050
3Q - 2024				7,500
4Q - 2024				7,500
1Q - 2025				7,500
2Q - 2025	Phase 3 - Absportion End			3,145
3Q - 2025				
Total MOB Space (95% & 93% Occupied)		**190,000**	**188,000**	**103,695**

MOB Construction Costs Range From $250 to $645 PSF

In the following pages we will analyze rental rates, construction costs, and rates of return warranted for the development of medical office space. First, we will analyze recent construction costs for on-campus medical office space and the associated rates of return that were required by the developers. **The table below illustrates actual construction costs for recently constructed and/or currently under construction medical office buildings on a national basis**.

As illustrated, development capitalization rates ranged from 6.03% to 9.55% with an average of 7.63%. We interviewed several national medical office developers including: Ventas, Nexcore, Rendina, US Health Realty, and CNL who reported that **good-quality, Class A, on-campus medical office product with credit tenancy was generally being developed at capitalization rates ranging from 6.50 to 9.00%, with a majority of respondents centering around the 7.00% to 8.00% range**. The longer the lease term and the better the credit tenancy, development capitalization rates were reported to be closer to the 6.50 to 7.50% range, while shorter terms and riskier credit properties were reported to be closer to the 7.50% to 8.50% figure.

The Subject property developer has estimated construction costs for the medical office component (both on-, and off-campus) at $215 per square foot, plus a 25% add-on for soft costs, which indicates total costs of $267.50 per square foot. The following table illustrates total construction costs ranging from $249.22 to $644.65 per square foot, with an average of $370.72. It is noted that several of the comparables are located in regions that have generally higher construction costs than Albuquerque, as well as the fact that a majority of the comparables have specialized build-out associated with the development, which is typical for on-campus medical office developments.

Medical Office Construction Comparables

	MOB 1		MOB 2		MOB 3		MOB 4		MOB 5		MOB 6		MOB 7	
	Virginia		Ohio		North Dakota		California		Washington		California		California	
	Whole $	$ Per SF	Whole $	$ Per SF	Whole $	$ Per SF	Whole $	$ Per SF	Whole $	$ Per SF	Whole $	$ Per SF	Whole $	$ Per SF
Gross Building Size	*41,147*		*124,733*		*67,757*		*61,080*		*159,474*		*40,000*		*108,868*	
Site Costs	$114,006	$2.77	-	-	$1,554,235	$22.94	$2,005,185	$32.83	$1,851,000	$11.61	$4,150,296	-	$3,648,953	-
Total Hard Costs	$11,362,000	$276.13	$21,699,252	$173.97	$11,427,102	$168.65	$11,459,685	$187.62	$36,845,500	$231.04	$5,855,086	$53.78	$25,221,243	$231.67
Total Design & Engineering	$709,094	$17.23	$864,400	$6.93	$725,000	$10.70	$1,338,078	$21.91	$1,459,000	$9.15	$4,410,622	$40.51	$779,495	$7.16
Total Third Party Costs	$87,450	$2.13	$38,550	$0.31	$65,150	$0.96	-	-	-	-	$0	$0.00	$139,970	$1.29
Total Construction Financing Costs	$964,312	$23.44	$1,019,738	$8.18	$609,165	$8.99	$635,596	$10.41	$5,632,283	$35.32	$3,033,192	$27.86	$955,753	$8.78
Total Development/Soft Costs	$111,000	$2.70	$3,813,415	$30.57	$2,729,807	$40	$1,086,959	$17.80	$4,454,929	$27.94	$0	$0.00	$3,315,395	$30.45
Contingency	$91,697	$2.23	$1,554,322	$12.46	$900,550	$13.29	$121,252	$1.99	$350,000	$2.19	-	-	$1,792,674	-
Total Base Cost	$13,439,559	$326.62	$28,989,677	$232.41	$18,011,009	$265.82	$16,646,755	$272.54	$50,592,712	$317.25	$17,449,196	$436.23	$35,853,483	$329.33
Land Cost	$1,300,000	$31.59	$2,096,757	$16.81	$360,000	$5.31	$9,325,000	$152.67	$0	$0.00	$8,336,900	$208.42	$0	$0.00
Total Developers Cost	$14,739,559	$358.22	$31,086,434	$249.22	$18,371,009	$271.13	$25,971,755	$425.21	$50,592,712	$317.25	$25,786,096	$644.65	$35,853,483	$329.33
Year One Rental Rate	$1,074,330	$26.11	$2,562,756	$20.55	$1,754,407	$25.89	$1,565,587	$25.63	$3,757,120	$23.56	$1,915,200	$47.88	$2,650,478	$24.35
Development Capitalization Rate	*7.29%*		*8.24%*		*9.55%*		*6.03%*		*7.43%*		*7.43%*		*7.39%*	

Prepared by: Cushman & Wakefield of Colorado

Town Center MOB Construction Costs Indicate Market Rent

In our analysis, we estimated that the on-campus medical office development will include some level of specialized development such as a surgery center, imaging equipment, or oncology space, and as such, have estimated construction costs at $300 per square foot. For the off-campus medical office development, we have estimated construction costs of $200 per square foot, which is reflective of the lower levels of specialized build-out associated with this space. This space is considered more traditional medical office space suited to independent physicians or smaller multi-specialty practice groups.

The chart below depicts the Subject's estimated rental rates per category based on estimated construction costs and current development capitalization rates witnessed in the market. The vacant medical office space is assumed to be leased at rental rates that are based on the construction cost estimate for the time period in which the construction is commenced.

CONSTRUCTION COSTS / DEVELOPMENT CAPITALIZATION RATE SYNOPSIS		
TENANT CATEGORY	On-Campus Market	Off-Campus Market
Construction Costs	$300.00	$200.00
Development Capitalization Rate	7.50%	9.00%
Indicated Market Rent	$22.50	$18.00
Contract Rent Increase Projection	2.50%, Annual	2.00%, Annual

Compiled by Cushman & Wakefield of Colorado, Inc.

Construction costs for the Subject are estimated at $63,654,000 for Phase One, $57,963,704 for Phase Two, and $28,248,973 for Phase Three, based on the proposed timing of the three phases. Overall this equates to $149,866,677, or $292.99 per square foot. Construction costs per phase are estimated to range from $232 to $338 per square foot.

The table on the following page illustrates actual lease rates as well as asking lease rates at several medical office buildings throughout the Albuquerque MSA.

MOB Comparable Rents Range from $15 to $23 PSF

Medical Office Asking Rates

NO.	Property Name Address, City, State	CLASS	SIZE (NRA)	YEAR BUILT	STORIES	SIZE (NRA)	INITIAL RENT/SF	RENT STEPS	LEASE TYPE	MONTHS FREE	TI/SF	COMMENTS
	PROPERTY INFORMATION											
S	Subject Property											
1	401 Edith Boulevard Northeast Albuquerque, NM	B	10,950	2006	1	10,950	$19.75	1-3%	Net	0	Turn-Key	This is a current asking rate for turn-key medical office space located adjacent to the Heart Hospital of NM at Lovelace Medical Center. The property is currently vacant
2	Enchanted Hills Medical Plaza 7555 Enchanted Hills Blvd NE Rio Rancho, NM	B	59,958	2007	2	1,500-25,308	$18.00	1-3%	Net	0	$5-$10	There are two spaces available in the Enchanted Hills Medical Plaza. The first is listed for $18.00/PSF/NNN and the second which comprises of 25,308 SF is listed for $15.00/PSF/NNN. The property is 40% leased.
3	Gibson Medical Center 5400 Gibson Blvd SE Albuquerque, NM	B	559,054	1980	2	3,000-57,958	$15.00	2%	Net	0	$10	This is the current asking rate for space located within the Gibson Medical Center. There are two types of space available. Clinic Space is available for $15.00/PSF and $16.00/PSF for in-patient space. Current tenants include urgent care, dialysis, pharmacy and physical therapy. The property is 83.7% leased.
4	Rio Rancho Executive Plaza 2220 Grande Blvd SE Rio Rancho, NM	B	10,038	2008	2	3,478	$17.50	1-3%	Net	0	$5-$10	This is a listing for space in an office condo. The 3,478 square feet is listed for $17.50/PSF/NNN. The property is currently 100% leased with a lease expiration approaching.
5	Pinnacle Point Medical Offices 4410 Irving Blvd Albuquerque, NM	B	25,000	2014	1	1,370-7,217	$23.00	1-3%	Net	0	$60	There are five suites available in the recently constructed, Pinnacle Point Medical Offices. The facility is anchored by Albuquerque Urology Associates. One of the units is also for sale at $200/PSF. The property is 10% leased.
6	4710 Jefferson Blvd NE Albuquerque, NM	B	8,520	2008	1	5,020	$16.00	1-3%	Net	0	$5-$10	This is the current asking rate for a medical office building located just north of Lovelace Women's Hospital. The property is 41% leased.
7	Petroglyph Medical Plaza SWC Unser Blvd & Westide Blvd Rio Rancho, NM	A	60,000	2015	3	1,500 to 20,000	$20.50	3%	Net	0	$60	The current asking rate for the proposed, Petroglyph Medical Plaza is $20.50/PSF/NNN. This MOB is located adjacent to the Rust Hospital. The first floor of the MOB houses a full service imaging center, including XRAY, CT, MRI, mammography and ultrasound capabilities. The medical office building is part of a larger planned development that includes medical offices, retail space, restaurants, and general office space.
STATISTICS												
Low			8,520	1980	1	3,478	$15.00			0	$10	
High			559,054	2015	3	10,950	$23.00			0	$60	
Average			104,789	2005	2	6,483	$18.54			0	$43	

Compiled by Cushman & Wakefield of Colorado, Inc.

$22.50 On-Campus & $18.50 Off-Campus Rents Concluded

We have analyzed recent leases negotiated in competitive buildings in the marketplace for similar medical office space, which range from $15.00 to $23.00 per square foot, with an average of $18.54 per square foot, net. Recovery clauses for the comparable leases require the tenant to pay a net rent, with the tenant responsible for all operating expenses. Operating expenses for the comparable buildings generally range from $7.50 to $11.50 per square foot. In addition, landlords are responsible for capital expenditures. The comparables have rent increases that are typically 2.0% to 3.0%, per annum, or in-line with CPI increases.

For the Subject's on-campus medical office space, greatest reliance has been placed on Rent Comparables R-1, R-5, and R-7 due to their similarity to the Subject with respect to quality, tenants and levels of build-out. These comparables have rents ranging from $19.75 to $23.00 per square foot, net, with an average of $21.08 per square foot. Based on the preceding, we estimate market rent for the Subject property on-campus medical office space at approximately $22.00 to $23.00 per square foot, net. This assumes a 10-year term for new deals, and a $65 per square foot tenant improvement allowance for core & shell space.

For the Subject's off-campus medical office space, greatest reliance has been placed on Rent Comparables R-1, R-2, and R-4 due to their similarity to the Subject with respect to quality, tenants and levels of build-out. These comparables have rents ranging from $17.50 to $19.75 per square foot, net, with an average of $18.42 per square foot. Based on the preceding, we estimate market rent for the Subject property off-campus medical office space at approximate $18.00 to $19.00 per square foot, net. This assumes a 7-year term for new deals, and a $50 per square foot tenant improvement allowance for core & shell space.

The concluded rents for the Subject are summarized below.

MARKET RENT SYNOPSIS		
TENANT CATEGORY	On-Campus Market	Off-Campus Market
Market Rent	$22.50	$18.50
Lease Term (years)	10	7
Lease Type (reimbursements)	Net	Net
Contract Rent Increase Projection	2.50%, Annual	2.00%, Annual

Compiled by Cushman & Wakefield of Colorado, Inc.

Town Center MOB Quarterly Lease-Up Schedule

The following table illustrates the estimated rental revenue for the Subject property medical office space at rental rates that are based on the construction cost estimate for the time period in which the construction is commenced and the previously concluded to development capitalization rates.

Rental Revenue Estimates for Medical Office Space

Development Stage	Quarter		Absporption Assumptions
Construction Period (18 Months)		Total Square Feet	511,500
Start Construction	1Q - 2019	Absorption Rate	5,000 to 10,000 per quarter
Start Absorption		Phases	3
End Construction		Stabilized Occupancy	95% & 93%
End Absportion			

Quarter	Development Stage	Phase 1 On-Campus MOB	Rental Reenue	Phase 2 On-Campus MOB	Rental Reenue	Phase 3 - Adjacent MOB Space	Rental Reenue
1Q - 2017	Start Construction - Phase 1						
2Q - 2017							
3Q - 2017							
4Q - 2017							
1Q - 2018	End Construction - Phase 1						
2Q - 2018	Phase 1 - Absorption Begin	100,000	$2,387,025				
3Q - 2018		7,500	$179,027				
4Q - 2018		7,500	$179,027				
1Q - 2019		7,500	$179,027				
2Q - 2019		7,500	$179,027				
3Q - 2019		7,500	$179,027				
4Q - 2019		7,500	$179,027				
1Q - 2020		7,500	$179,027				
2Q - 2020		7,500	$179,027				
3Q - 2020		7,500	$179,027				
4Q - 2020	Start Construction - Phase 2	7,500	$179,027				
1Q - 2021		7,500	$179,027				
2Q - 2021	Phase 1 - Absorption End	7,500	$179,027				
3Q - 2021							
4Q - 2021							
1Q - 2022	End Construction Phase 2/Phase 2 Absorption Begin			140,000	$3,286,542		
2Q - 2022				7,500	$176,065		
3Q - 2022				7,500	$176,065		
4Q - 2022				7,500	$176,065		
1Q - 2023				7,500	$176,065		
2Q - 2023	Start Construction - Phase 3			7,500	$176,065		
3Q - 2023				7,500	$176,065		
4Q - 2023				3,000	$70,426		
1Q - 2024	Phase 2 - Absportion End						
2Q - 2024	End Construction - Phase 3/Phase 3 Absorption Begin					78,050	$1,779,685
3Q - 2024						7,500	$171,014
4Q - 2024						7,500	$171,014
1Q - 2025						7,500	$171,014
2Q - 2025	Phase 3 - Absportion End					3,145	$71,712
3Q - 2025							
Total MOB Space (95% & 93% Occupied)		**190,000**		**188,000**		**103,695**	

Town Center MOB Annual Absorption & Revenue Schedule

The following table illustrates the annual rental revenue for the Subject property medical office space on an annual basis. It is noted that this table has slightly different annual revenue figures as it assumes that the medical office space will be leased at the market based rental for each year as opposed to the initial rental rates proposed based on construction costs and development capitalization rates.

It is noted that the revenue projections are based on a net lease analysis, and there will be some slippage of revenue due to vacancy during the initial lease-up periods. However, this slippage of revenue is projected to be nominal in comparison to the overall revenue estimates and is only projected to occur during the lease-up period for each phase.

ABSORPTION SCHEDULE

Land Use	Metric	Total Size	Stabilized Occupancy	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Professional Office (Hospital)	SF	300,000	95%				115,000	145,000	175,000	190,000	271,250	285,000	285,000	285,000	285,000	285,000	285,000
Medical Office	SF	211,500	93%								81,250	93,000	186,050	196,695	196,695	196,695	196,695

REVENUE SCHEDULE

Land Use	Metric	Avg. Revenue (2014)	Annual Appreciation	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Professional Office (Hospital)	Rent/SF/YR	$22.50	2.50%				$2,827,431	$3,654,147	$4,520,432	$5,030,595	$7,361,383	$7,927,904	$8,126,102	$8,329,254	$8,537,485	$8,750,923	$8,969,696
Medical Office	Rent/SF/YR	$18.50	2.00%								$1,795,166	$2,095,870	$4,276,724	$4,611,849	$4,704,086	$4,798,168	$4,894,131

REVENUE APPRECIATION SCHEDULE

Land Use	Metric	Avg. Revenue (2014)	Annual Appreciation	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Professional Office (Hospital)	Rent/SF/YR	$22.50	2.50%	$22.50	$23.18	$23.87	$24.59	$25.20	$25.83	$26.48	$27.14	$27.82	$28.51	$29.23	$29.96	$30.70	$31.47
Medical Office	Rent/SF/YR	$18.50	2.00%	$18.50	$19.06	$19.63	$20.22	$20.82	$21.24	$21.66	$22.09	$22.54	$22.99	$23.45	$23.92	$24.39	$24.88

Economic & Demographic Overview

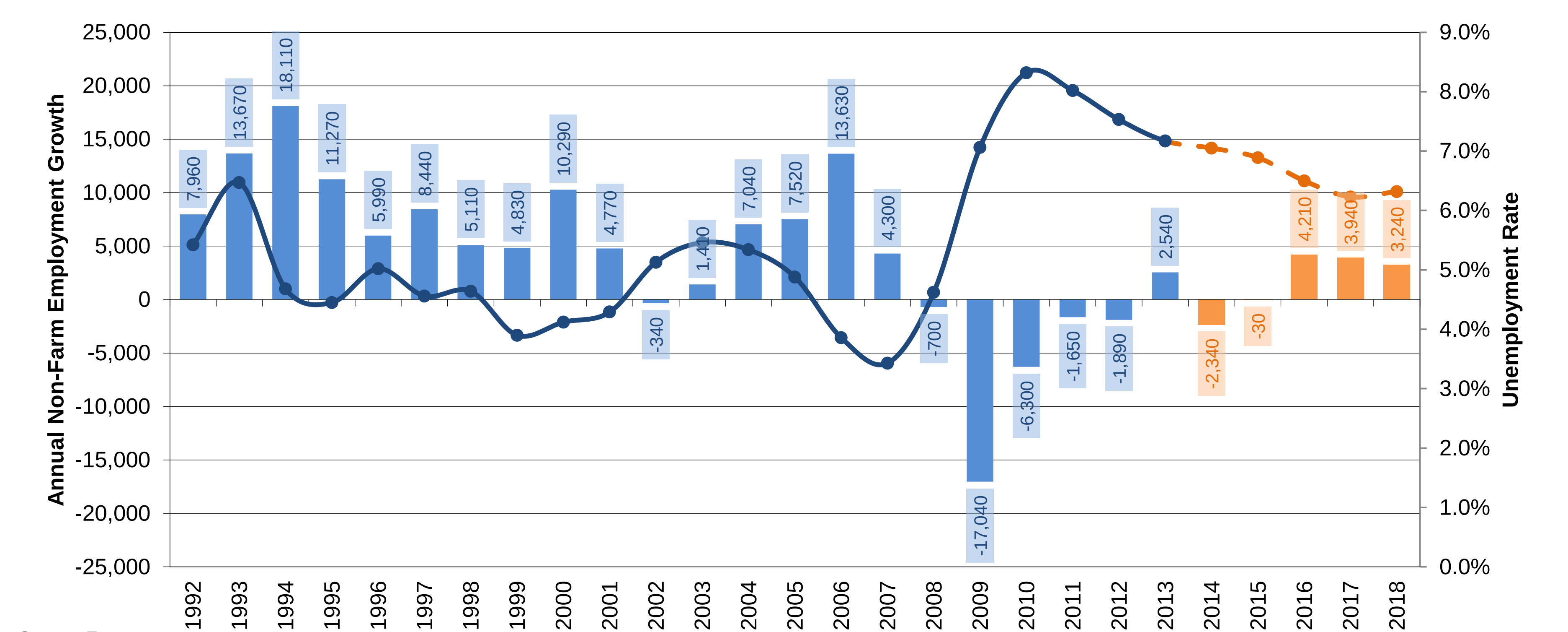
For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Prepared by Meyers Research, LLC.

Historic & Projected Job Growth in the Albuquerque MSA

After the extensive economic downturn of 2009 and 2010 that impacted most markets around the country, the MSA has continued to struggle with annual job losses. Positive growth did return in 2013, however, 2014 is on pace for another down year. Moving forward, Economy.com anticipates flat employment in 2015 with annual growth from 2016 on. The timing of this recovery coincides well with the Subject's 2017 timing.

Employment History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Five-Year Forecast*				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Non-Farm Employment	370,220	377,740	391,370	395,670	394,970	377,930	371,630	369,980	368,090	370,630	368,290	368,260	372,470	376,410	379,650
Prior Year Change	7,040	7,520	13,630	4,300	(700)	(17,040)	(6,300)	(1,650)	(1,890)	2,540	(2,340)	(30)	4,210	3,940	3,240
Annual % Change	1.9%	2.0%	3.6%	1.1%	-0.2%	-4.3%	-1.7%	-0.4%	-0.5%	0.7%	-0.6%	0.0%	1.1%	1.1%	0.9%
Unemployment Rate	5.3%	4.9%	3.9%	3.4%	4.6%	7.1%	8.3%	8.0%	7.5%	7.2%	7.1%	6.9%	6.5%	6.2%	6.3%

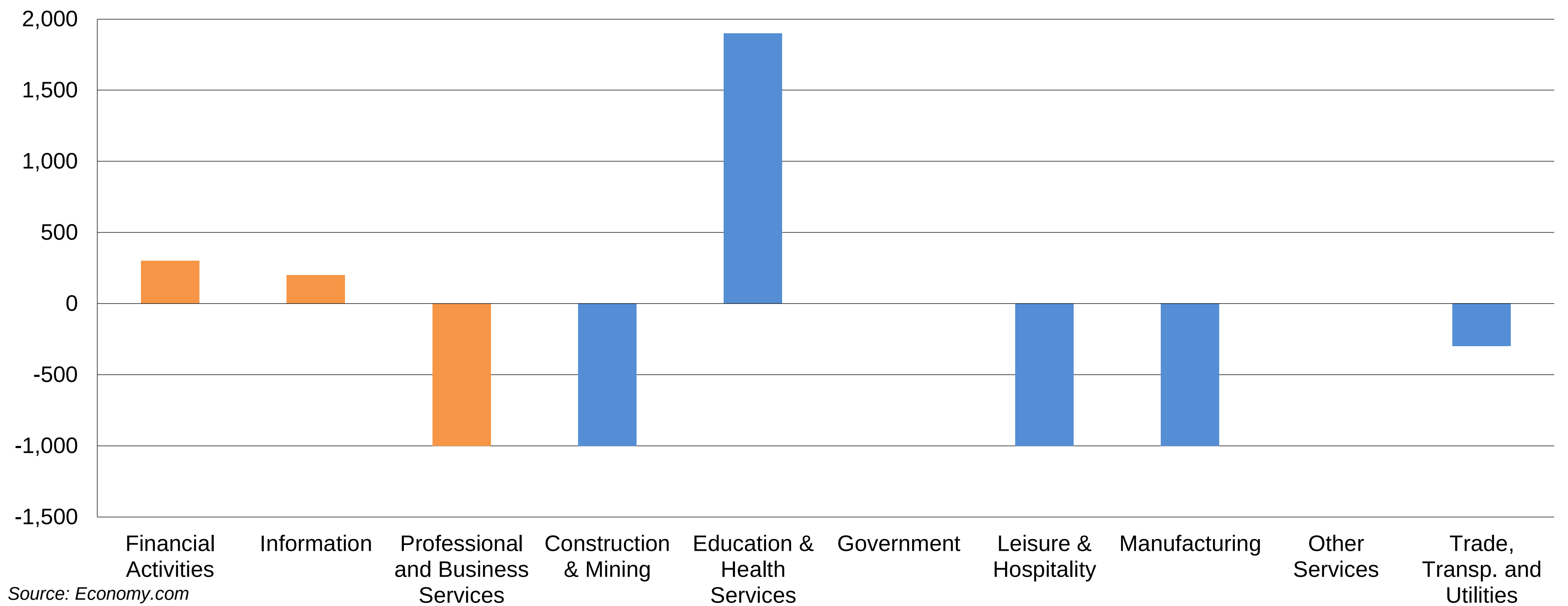


Source: Economy.com

Job Growth by Industry in the Albuquerque MSA

Over the past year there has been mixed improvement depending on the employment sector. Financial Activities and Information (high income), as well as, the much improved Education and Health Services sectors showed positive growth. The other sectors, however, were either flat or lost positions.

Employment by Sector	High Income Sectors			Other Sectors						
	Financial Activities	Information	Professional and Business Services	Construction & Mining	Education & Health Services	Government	Leisure & Hospitality	Manufacturing	Other Services	Trade, Transp. and Utilities
Current Month	18,200	7,600	54,400	18,700	59,600	82,700	39,100	16,200	11,500	61,500
Same Month Previous Year	17,900	7,400	55,400	19,700	57,700	82,700	40,100	17,200	11,500	61,800
12-Month Growth	300	200	-1,000	-1,000	1,900	0	-1,000	-1,000	0	-300



Source: Economy.com

Employment Density

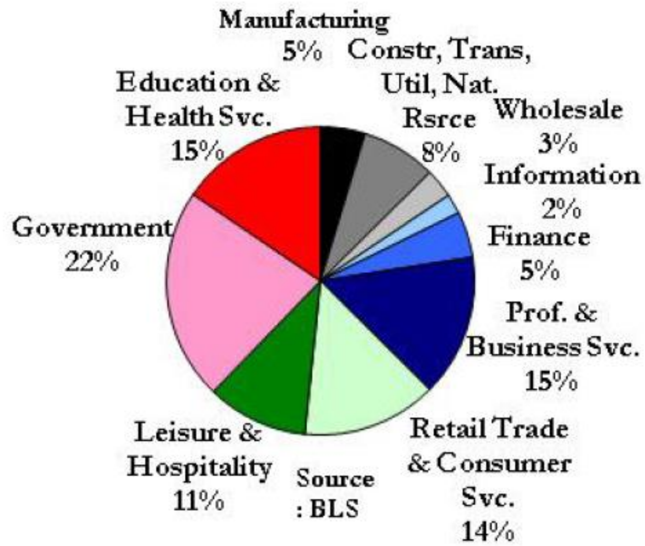
Albuquerque is the economic and geographic center of New Mexico. The city's Sunbelt location provides excellent access to market centers in the Southwest, Central, and Western United States. Interstate 40 and Interstate 25 intersect in Albuquerque providing fast access in all directions. Albuquerque is home to a large mix of industrial and commercial companies such as EMCORE, General Mills, Tempur-Pedic and Sennheiser as well as a number of financial, insurance, and healthcare operations. Area residents and employers benefit from the presence of large public institutions such as the University of New Mexico, Sandia National Laboratories, and Kirtland Air Force Base.

The area's top 10 employers are:

1. University of New Mexico (15,360 employees)
2. Albuquerque Public Schools (14,810 employees)
3. Kirtland Air Force Base (10,125 employees)
4. Sandia National Labs (9,852 employees)
5. Presbyterian Hospital (7,310 employees)
6. UNM Hospital (5,960 employees)
7. City of Albuquerque (5,500 employees)
8. State of New Mexico (4,950 employees)
9. Lovelace Hospital (4,000 employees)
10. Intel Corporation (2,800 employees)

Source: Albuquerque Economic Development

Employment by Sector:

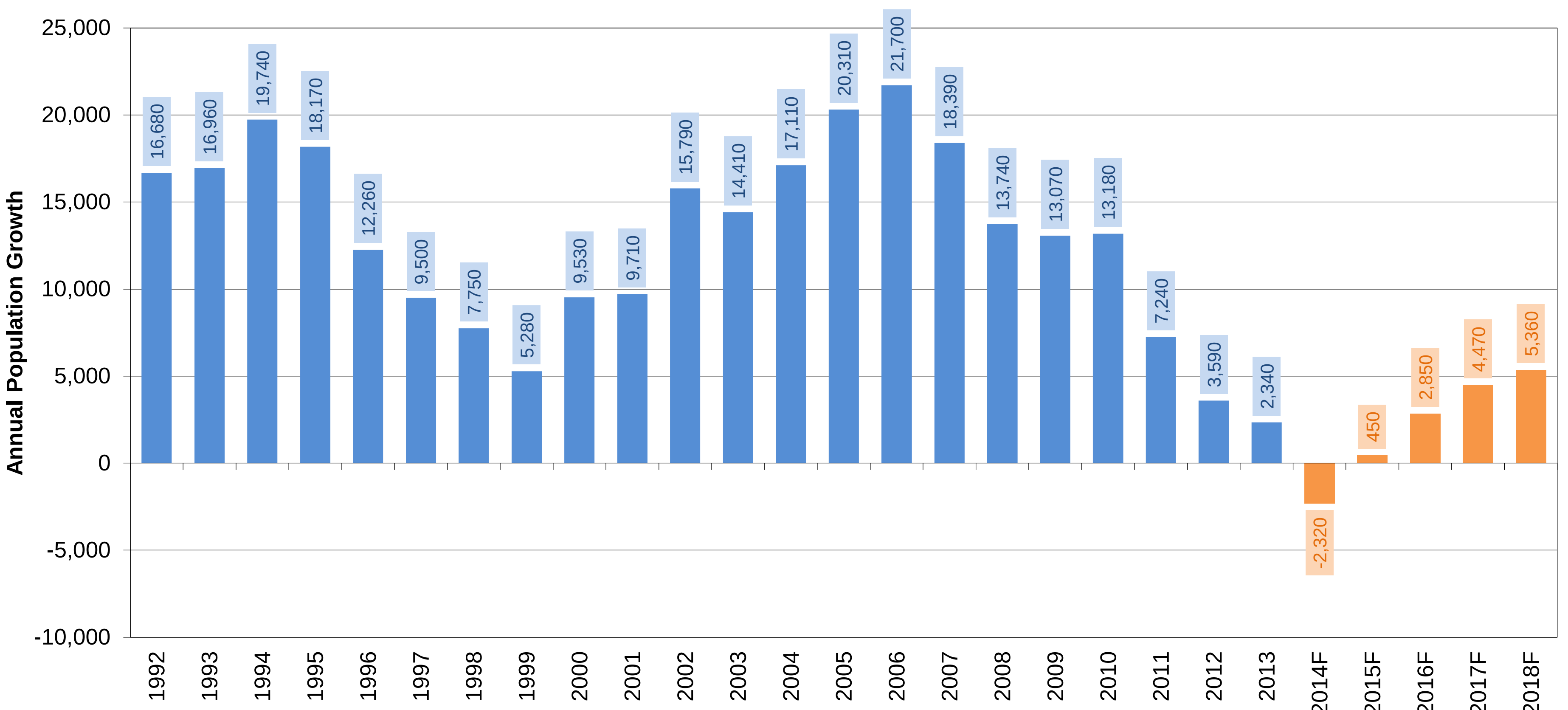


Source: REIS-Albuquerque

Population Growth in the Albuquerque MSA

Population growth MSA wide has been decreasing annually since 2009 and 2014 will post the first year of population loss. This trend is projected to reverse over the mid term with growth projected for 2015 and increased annual growth from 2016 to 2018.

Population History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Total Population	789,240	809,550	831,250	849,640	863,380	876,450	889,630	896,870	900,460	902,800	900,480	900,930	903,780	908,250	913,610
Prior Year Change	17,110	20,310	21,700	18,390	13,740	13,070	13,180	7,240	3,590	2,340	(2,320)	450	2,850	4,470	5,360
Annual % Change	2.2%	2.6%	2.7%	2.2%	1.6%	1.5%	1.5%	0.8%	0.4%	0.3%	-0.3%	0.0%	0.3%	0.5%	0.6%

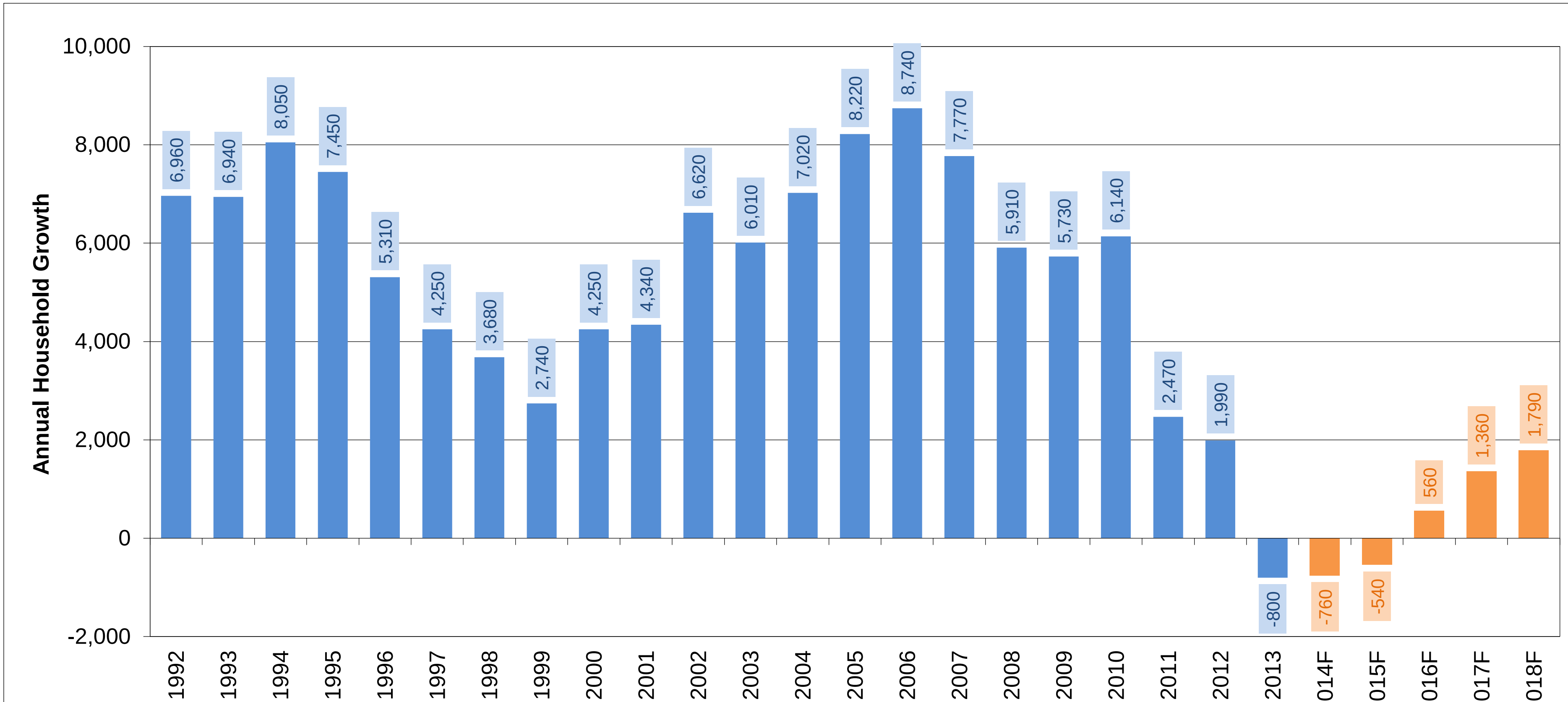


Source: Economy.com

Household Growth in the Albuquerque MSA

Similar to the trend in population, household growth decreased in the Albuquerque MSA the past few years with household loss in 2013 and 2014 a similar trend is anticipated for 2015. Household growth will again occur from 2016 to 2018 as the Subject enters the market.

Household History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Total Households	305,890	314,110	322,850	330,620	336,530	342,260	348,400	350,870	352,860	352,060	351,300	350,760	351,320	352,680	354,470
Prior Year Change	7,020	8,220	8,740	7,770	5,910	5,730	6,140	2,470	1,990	(800)	(760)	(540)	560	1,360	1,790
Annual % Change	2.3%	2.7%	2.8%	2.4%	1.8%	1.7%	1.8%	0.7%	0.6%	-0.2%	-0.2%	-0.2%	0.2%	0.4%	0.5%

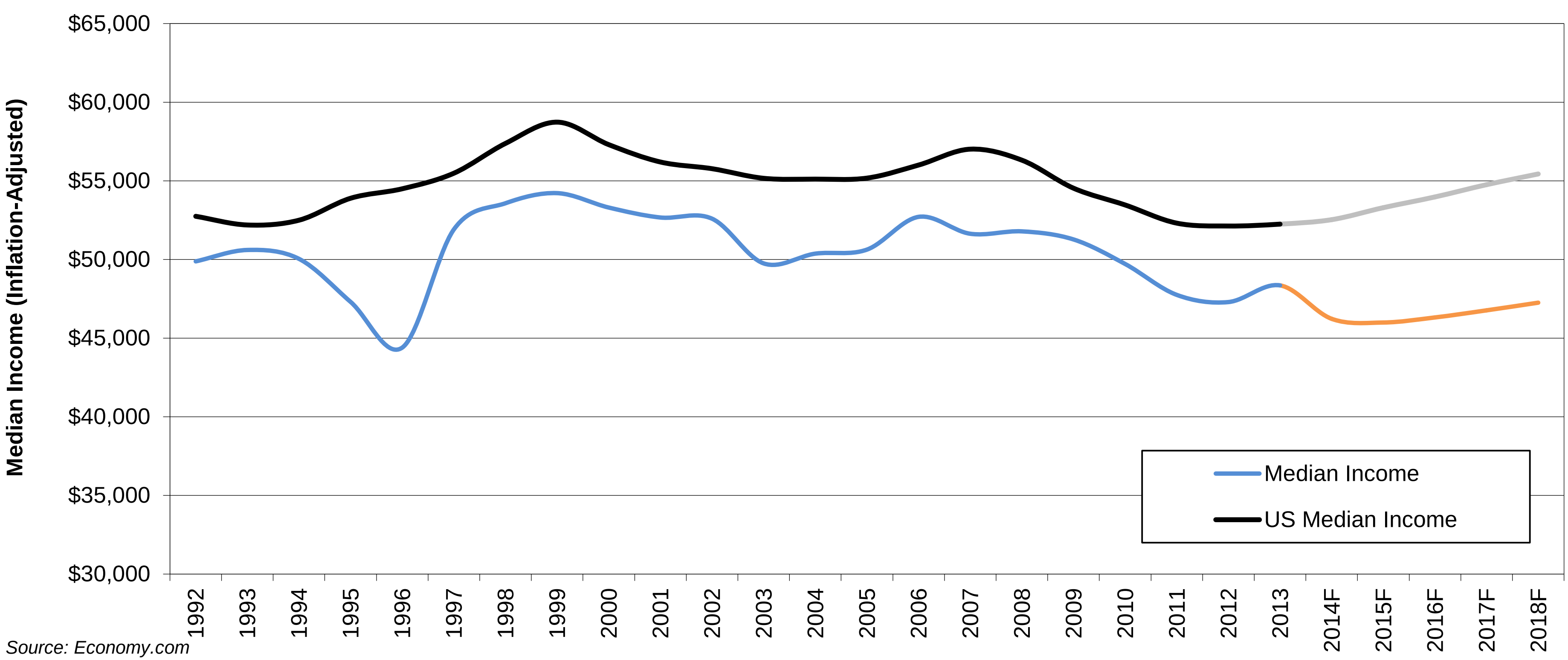


Source: Economy.com

Median Income in the Albuquerque MSA

Historically, incomes in the Albuquerque MSA are below the national median. This difference is expected to increase/widen the next few years as the Albuquerque economy regains its footing.

Median Income & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Median Income	$50,374	$50,631	$52,714	$51,639	$51,790	$51,276	$49,717	$47,750	$47,295	$48,355	$46,228	$45,993	$46,316	$46,767	$47,255
Annual % Change	1.3%	0.5%	4.1%	-2.0%	0.3%	-1.0%	-3.0%	-4.0%	-1.0%	2.2%	-4.4%	-0.5%	0.7%	1.0%	1.0%
Median Income - United States	$55,114	$55,178	$56,009	$57,019	$56,319	$54,536	$53,469	$52,313	$52,131	$52,250	$52,534	$53,299	$53,980	$54,759	$55,441
Annual % Change	-0.1%	0.1%	1.5%	1.8%	-1.2%	-3.2%	-2.0%	-2.2%	-0.3%	0.2%	0.5%	1.5%	1.3%	1.4%	1.2%

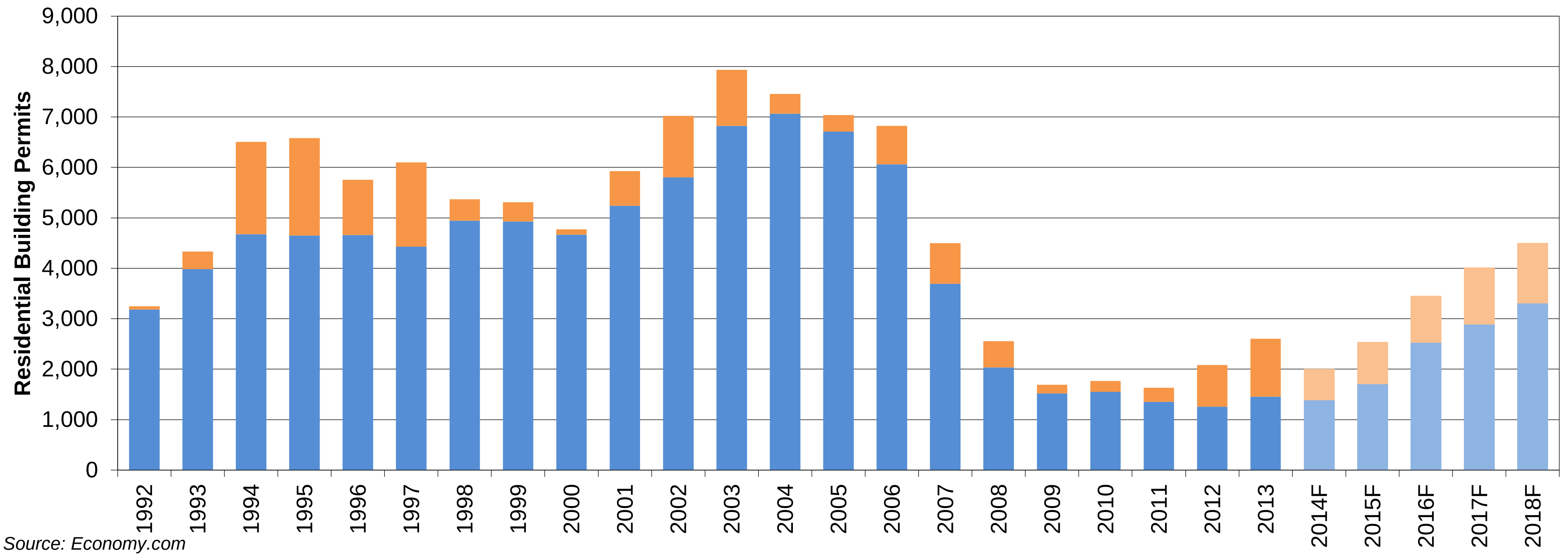


Source: Economy.com

Building Permits in the Albuquerque MSA

After a peak of building permit issuances of nearly 8,000 units in 2003, permit volume essentially decreased each year from 2004 to 2011 (like many other metropolitan areas in the United States). 2012 and 2013 posted permit increases. While 2014 is on pace for only +/-2,000 permits, Economy.com does anticipate annual gains from 2015 to 2018.

Residential Building Permit History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Total Building Permits	7,455	7,038	6,822	4,499	2,555	1,692	1,764	1,634	2,084	2,606	2,003	2,544	3,460	4,015	4,499
Annual % Change	-6.1%	-5.6%	-3.1%	-34.1%	-43.2%	-33.8%	4.3%	-7.4%	27.5%	25.0%	-23.1%	27.1%	36.0%	16.1%	12.1%
SFD Building Permits	7,065	6,712	6,062	3,696	2,037	1,519	1,553	1,354	1,259	1,456	1,386	1,710	2,528	2,887	3,302
Annual % Change	3.6%	-5.0%	-9.7%	-39.0%	-44.9%	-25.4%	2.2%	-12.8%	-7.0%	15.6%	-4.8%	23.3%	47.9%	14.2%	14.4%
MF Building Permits	390	326	760	803	518	173	211	280	825	1,150	617	835	931	1,128	1,197
Annual % Change	-65.0%	-16.4%	133.1%	5.7%	-35.5%	-66.6%	22.0%	32.7%	194.6%	39.4%	-46.4%	35.4%	11.6%	21.1%	6.1%

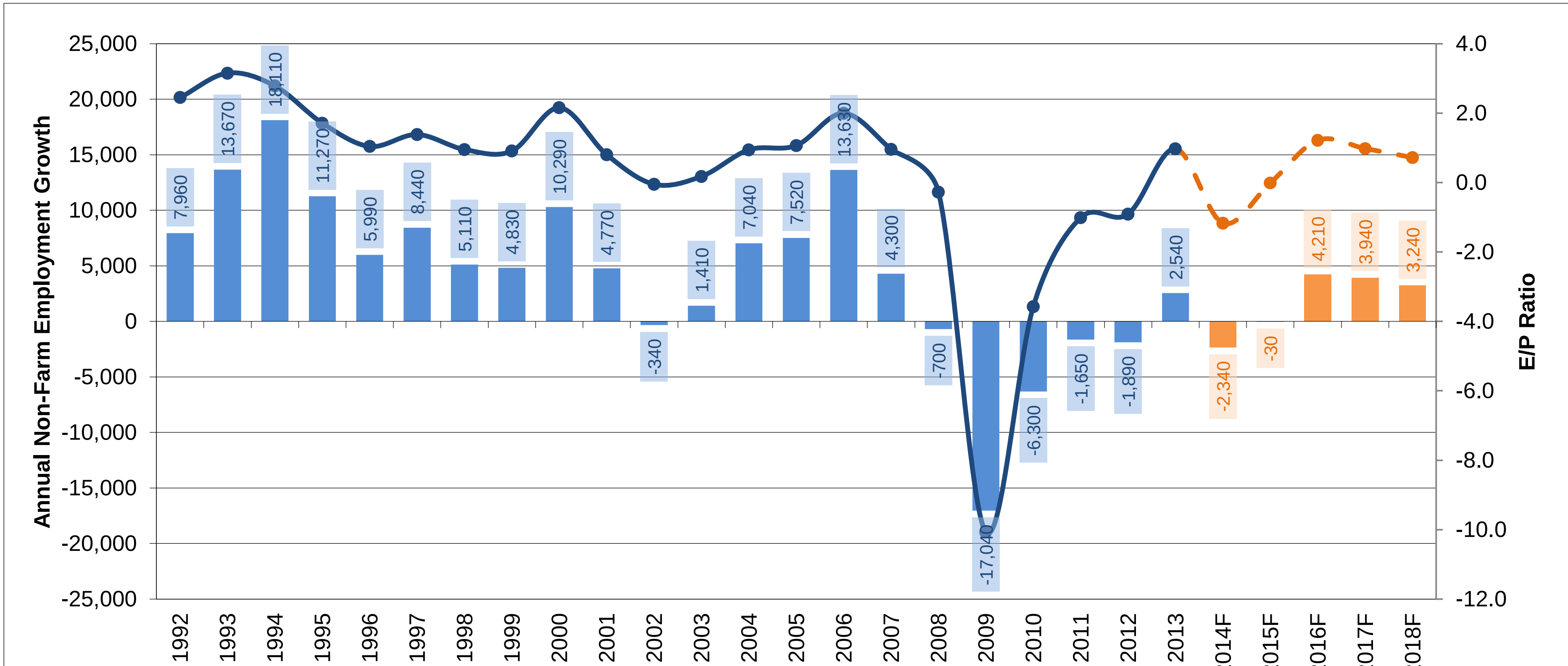


Source: Economy.com

E/P Ratio in the Albuquerque MSA

With annual job loses in the MSA over the past six of seven years the EP (employment to permit) Ratio has been in negative territory. Economy.com does anticipate positive employment growth in 2016 and beyond which will also bring the EP Ratio into positive territory.

Employment/Housing History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Non-Farm Employment	370,220	377,740	391,370	395,670	394,970	377,930	371,630	369,980	368,090	370,630	368,290	368,260	372,470	376,410	379,650
Prior Year Change	7,040	7,520	13,630	4,300	(700)	(17,040)	(6,300)	(1,650)	(1,890)	2,540	(2,340)	(30)	4,210	3,940	3,240
Building Permits	7,455	7,038	6,822	4,499	2,555	1,692	1,764	1,634	2,084	2,606	2,003	2,544	3,460	4,015	4,499
Employment/Housing	0.94	1.07	2.00	0.96	-0.27	-10.07	-3.57	-1.01	-0.91	0.97	-1.17	-0.01	1.22	0.98	0.72

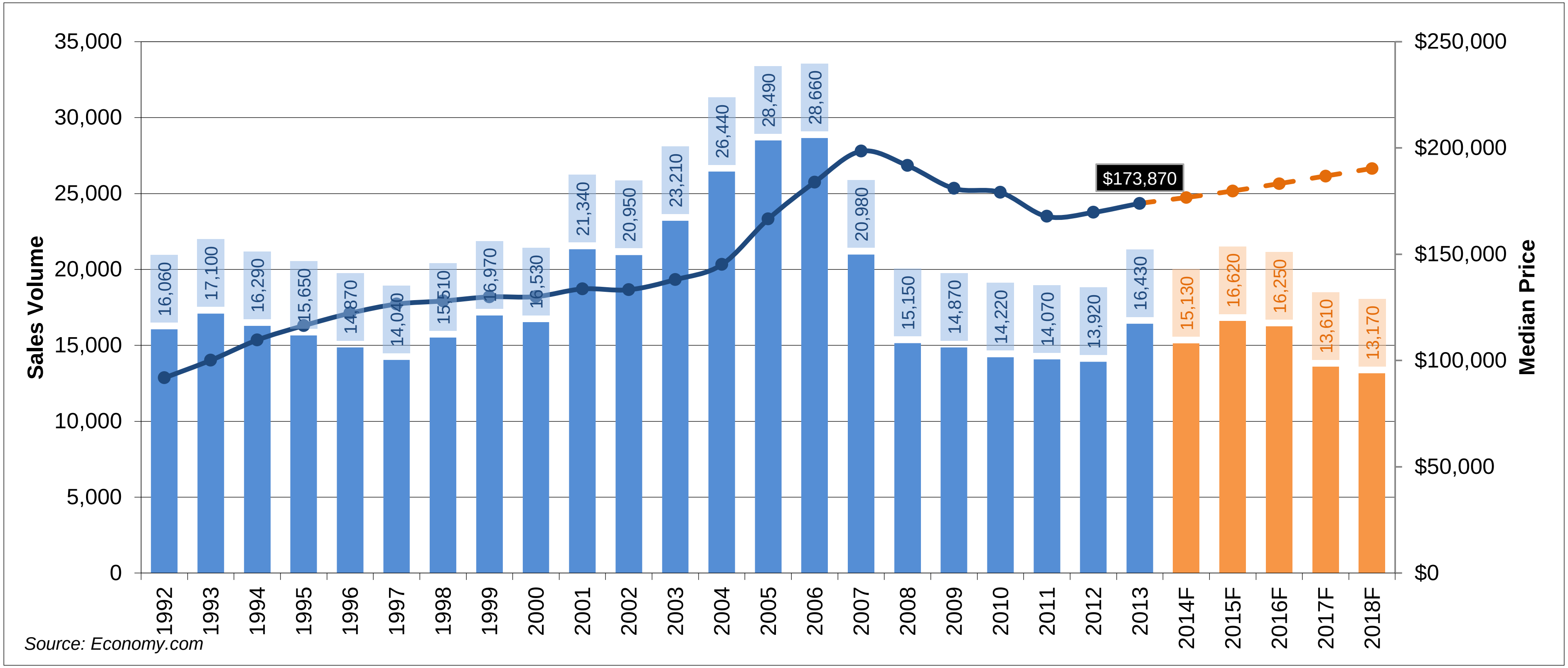


Source: Economy.com

Existing SFD Sales in the Albuquerque MSA

Existing single family home sales bottomed out in 2011 and have been increasing since. Projections are for continued improvement in the market.

Existing SFD History & Forecasts	Albuquerque, NM Metropolitan Statistical Area - Ten Year History										Economy.com Five-Year Forecast				
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
Annual Existing SFD Sales	26,440	28,490	28,660	20,980	15,150	14,870	14,220	14,070	13,920	16,430	15,130	16,620	16,250	13,610	13,170
Prior Year Change	13.9%	7.8%	0.6%	-26.8%	-27.8%	-1.8%	-4.4%	-1.1%	-1.1%	18.0%	-7.9%	9.8%	-2.2%	-16.2%	-3.2%
Median Existing SFD Sales Price	$145,110	$166,550	$183,890	$198,470	$191,700	$180,940	$179,100	$167,770	$169,680	$173,870	$176,700	$179,780	$183,230	$186,820	$190,370
Prior Year Change	5.1%	14.8%	10.4%	7.9%	-3.4%	-5.6%	-1.0%	-6.3%	1.1%	2.5%	1.6%	1.7%	1.9%	2.0%	1.9%



Source: Economy.com

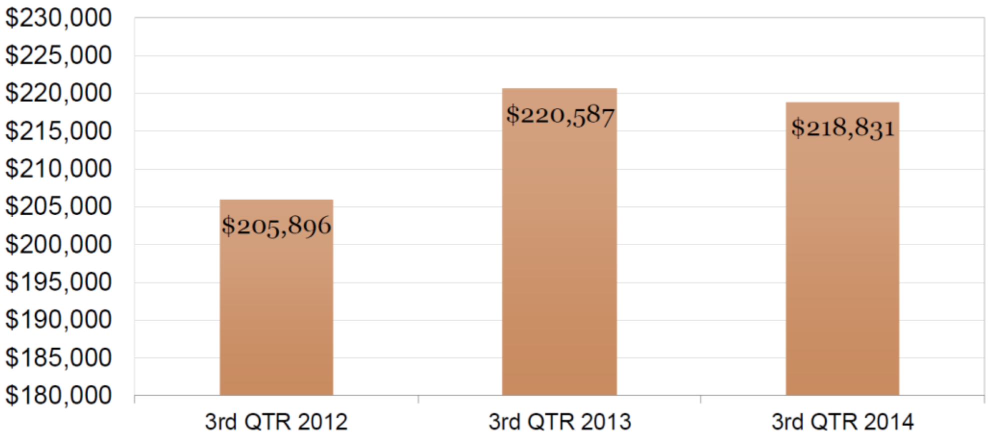
Albuquerque Housing Prices

Single-family detached home sales decreased 7.9% from 3rd Quarter 2013. However, 3rd Quarter 2014 saw an increase of 2.22% in the median sales price. The average sales price actually dropped, albeit slightly, 0.80% over the same period.

The subject is located within Area 111 as defined by the *Quarterly Market Report* dated 3rd Quarter 2014. This area is indicated to have higher housing values than the greater Albuquerque area as a whole.

The source of the data is the Greater Albuquerque Association of Realtors and is based on data from the Southwest Multiple Listing Service.

Average Sale Price for single-family detached homes



Source: Greater Albuquerque Association of Realtors

3rd QTR 2014 & 2013 RECAP for Greater Albuquerque

Class R1 (Existing Single-Family Detached) & Class R2 (Existing Condo/Townhome Attached)

Class R1	2014	2013	% of Change
Average Sale Price:	$218,831	$220,587	-0.80%
Median Sale Price:	$184,000	$180,000	2.22%
Total Sold & Closed:	2,387	2,592	-7.91%
Total Dollar Volume*:	$522.3	$571.8	-8.66%
New Listings:	4,394	4,217	4.20%
Days on Market:	63	61	3.28%

Class R2	2014	2013	% of Change
Average Sale Price:	$143,818	$137,172	4.85%
Median Sale Price:	$137,000	$129,900	5.47%
Total Sold & Closed:	223	269	-17.10%
Total Dollar Volume*:	$32.1	$36.9	-13.01%
New Listings:	412	419	-1.67%
Days on Market:	66	63	4.76%

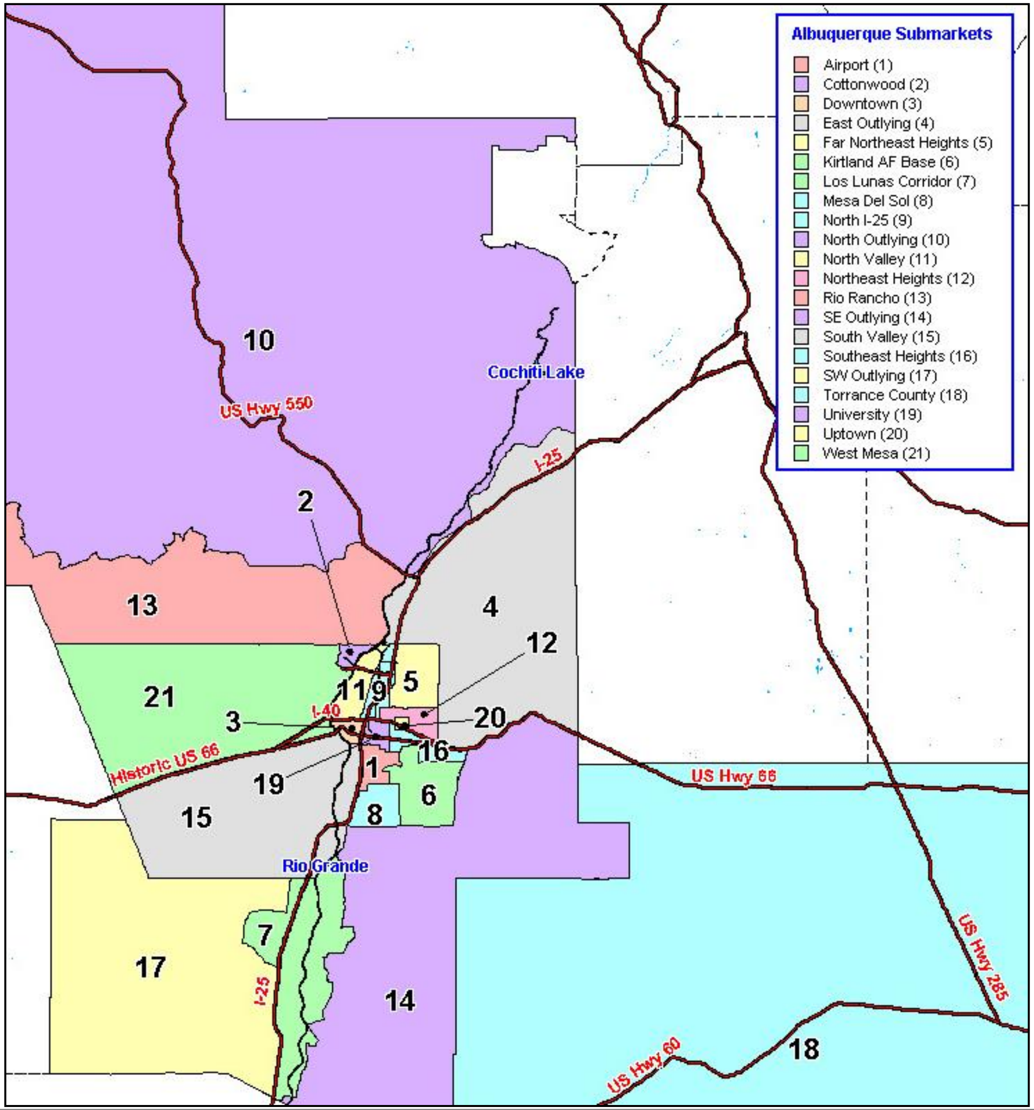
3rd QTR 2014 & 2013 RECAP for Greater Albuquerque (Areas 10-121)

Class R1	2014	2013	% of Change
Average Sale Price:	$223,529	$227,373	-1.69%
Median Sale Price:	$185,000	$184,250	0.41%
Total Sold & Closed:	1,616	1,760	-8.18%
Total Dollar Volume*:	$361.2	$400.2	-9.75%
New Listings:	2,860	2,725	4.95%
Days on Market:	58	51	13.73%

Class R2	2014	2013	% of Change
Average Sale Price:	$148,936	$143,187	4.02%
Median Sale Price:	$142,500	$133,000	7.14%
Total Sold & Closed:	195	229	-14.85%
Total Dollar Volume*:	$29.0	$32.8	-11.59%
New Listings:	359	350	2.57%
Days on Market:	65	62	4.84%

Albuquerque MSA and Submarket Map

For the following slides we compared demographics for the MSA, City of Albuquerque, West Mesa Submarket and the Subject's 87120 zip code.



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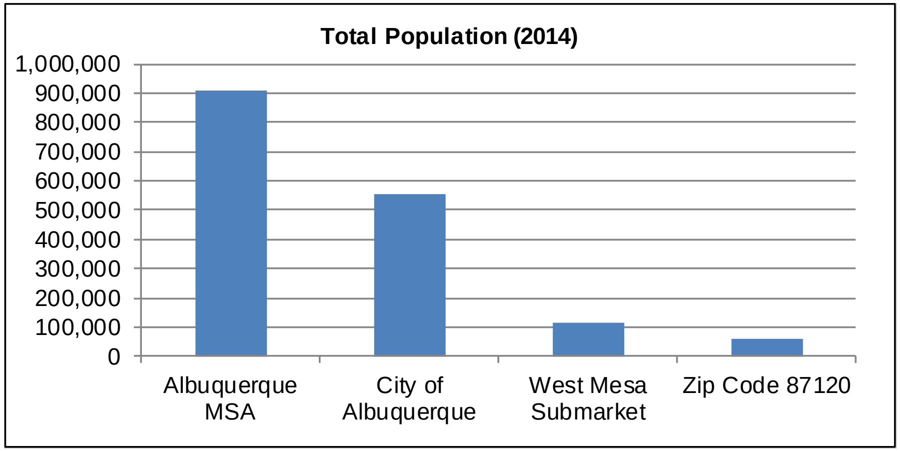
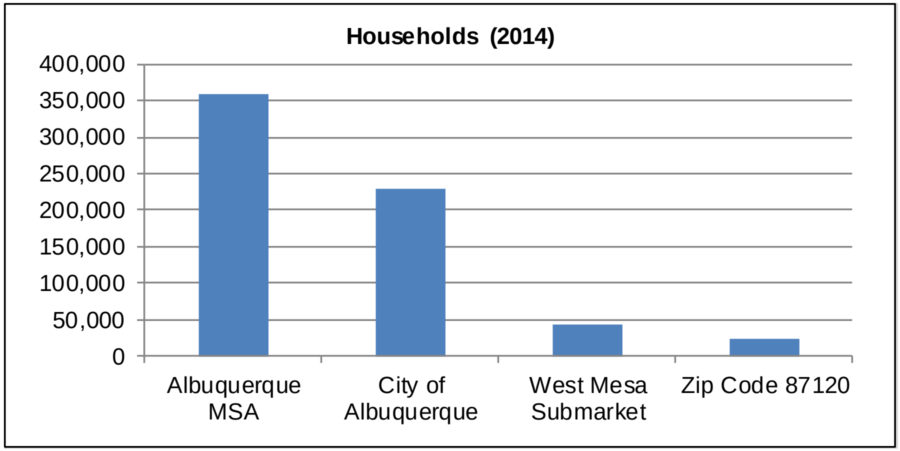
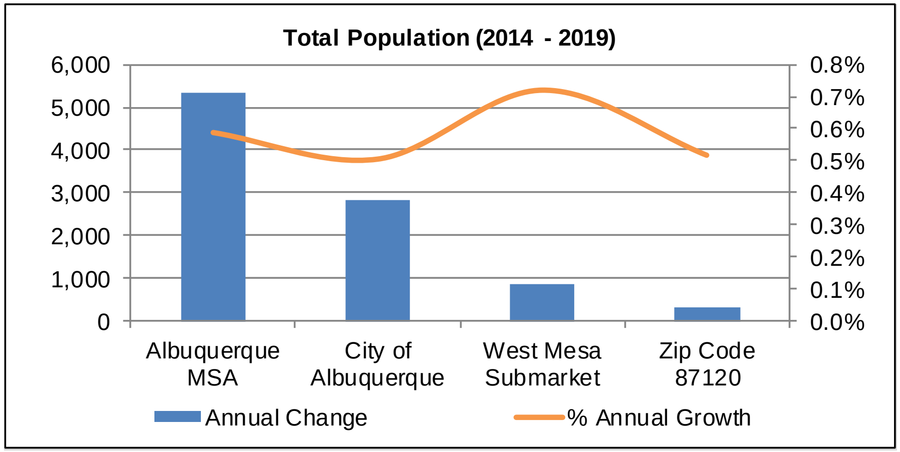
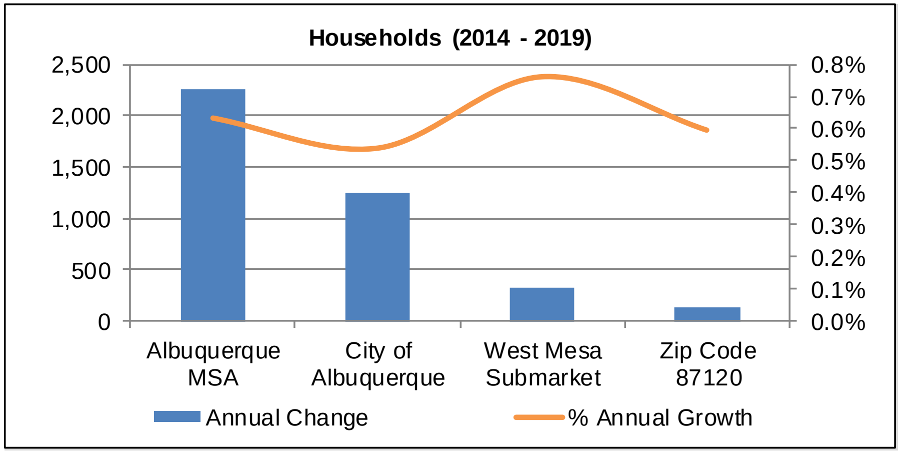
Population & Households

Approximately 12% of the Albuquerque MSA lives in the West Mesa submarket. Going forward, demographer ESRI anticipates West Mesa will expand at a faster rate than the greater MSA and City. Future land releases and non-public developer plans commonly alter these projections.





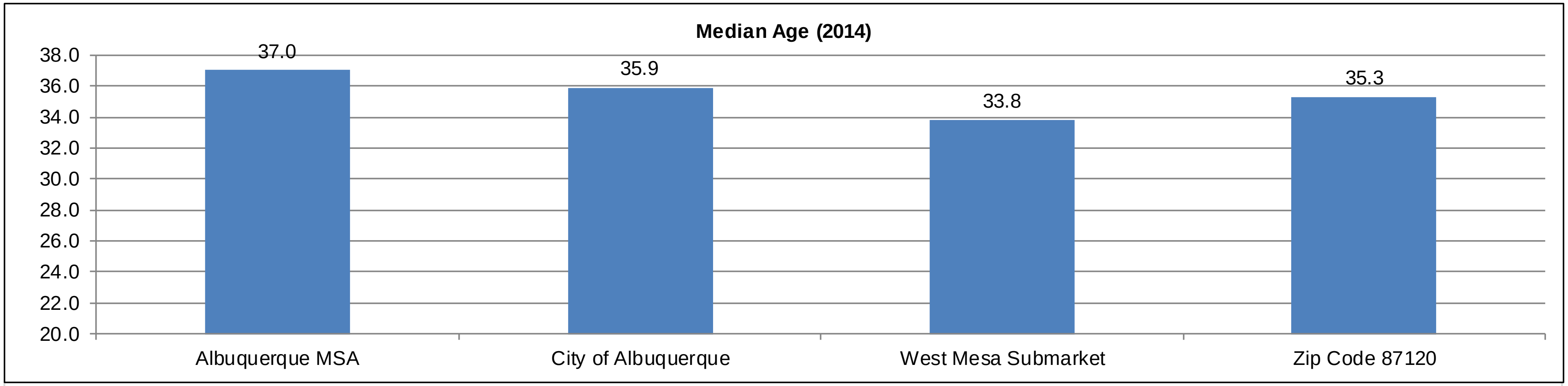


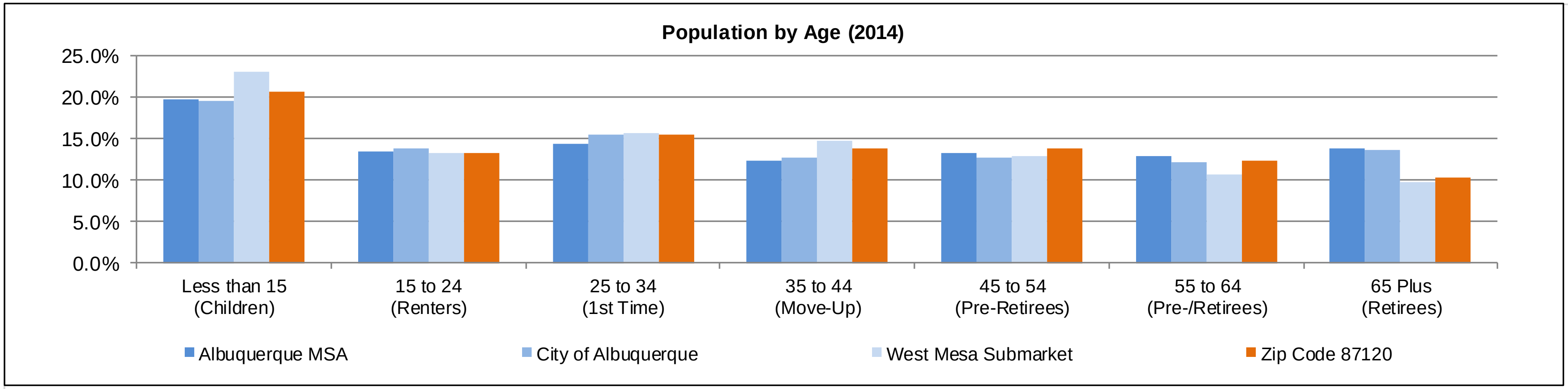


Source: ESRI

Age of the Population

West Mesa and the Subject zip code have a lower median age than that of the MSA and City with higher concentrations of 25 to 34 and 35 to 44 year old residents. These demographics suggest an already in place population that could be attracted to the lifestyle center envisioned for the Subject.

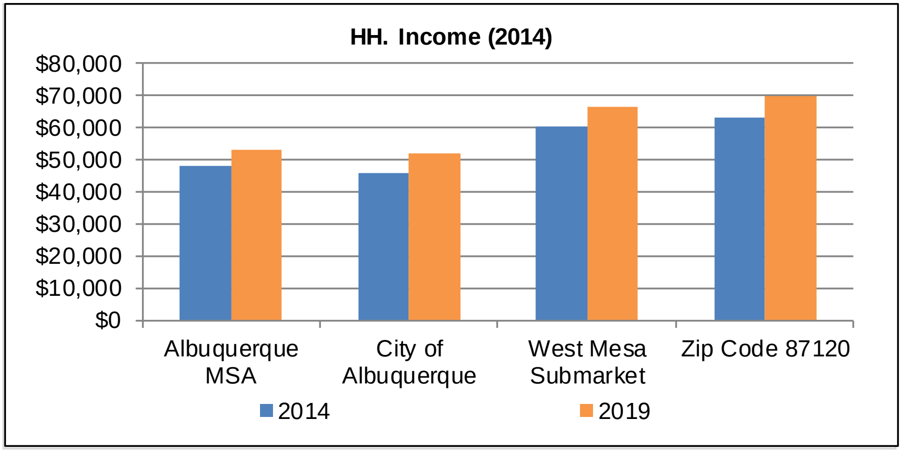


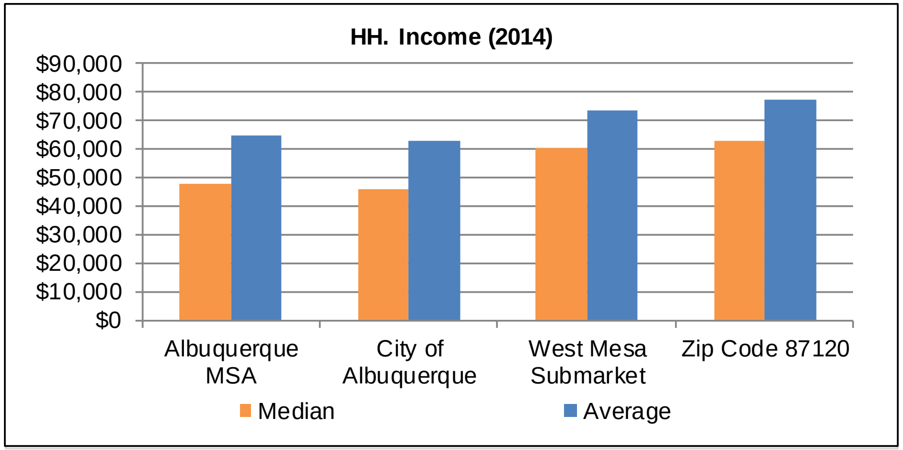


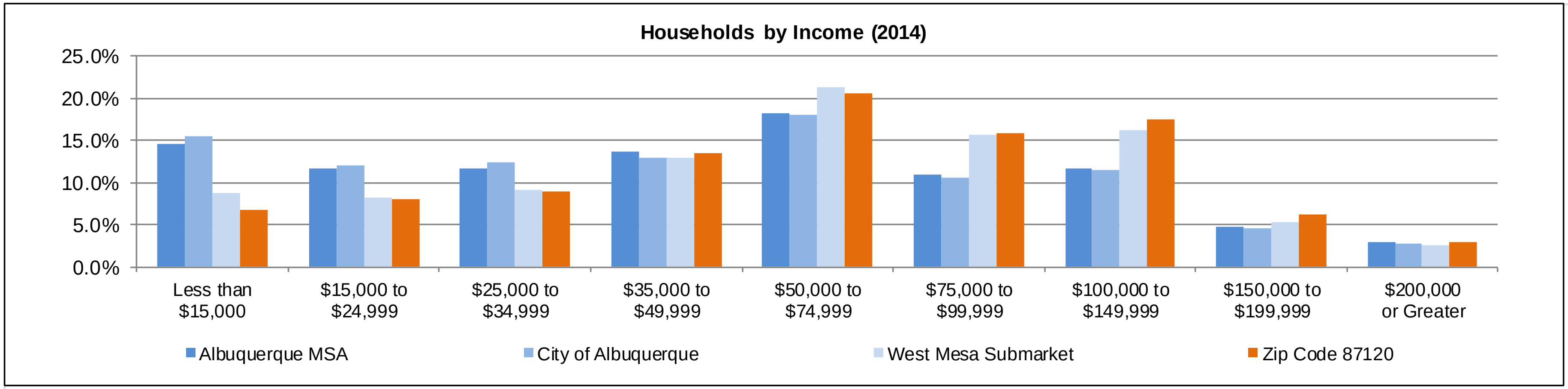
Source: ESRI

Median Income

The West Mesa and Subject zip code's incomes are well above the MSA and City. The income distributions are weighted toward the higher income segments, supporting the notion that the local area already attract more affluent residents which will help support a community with all land uses planned



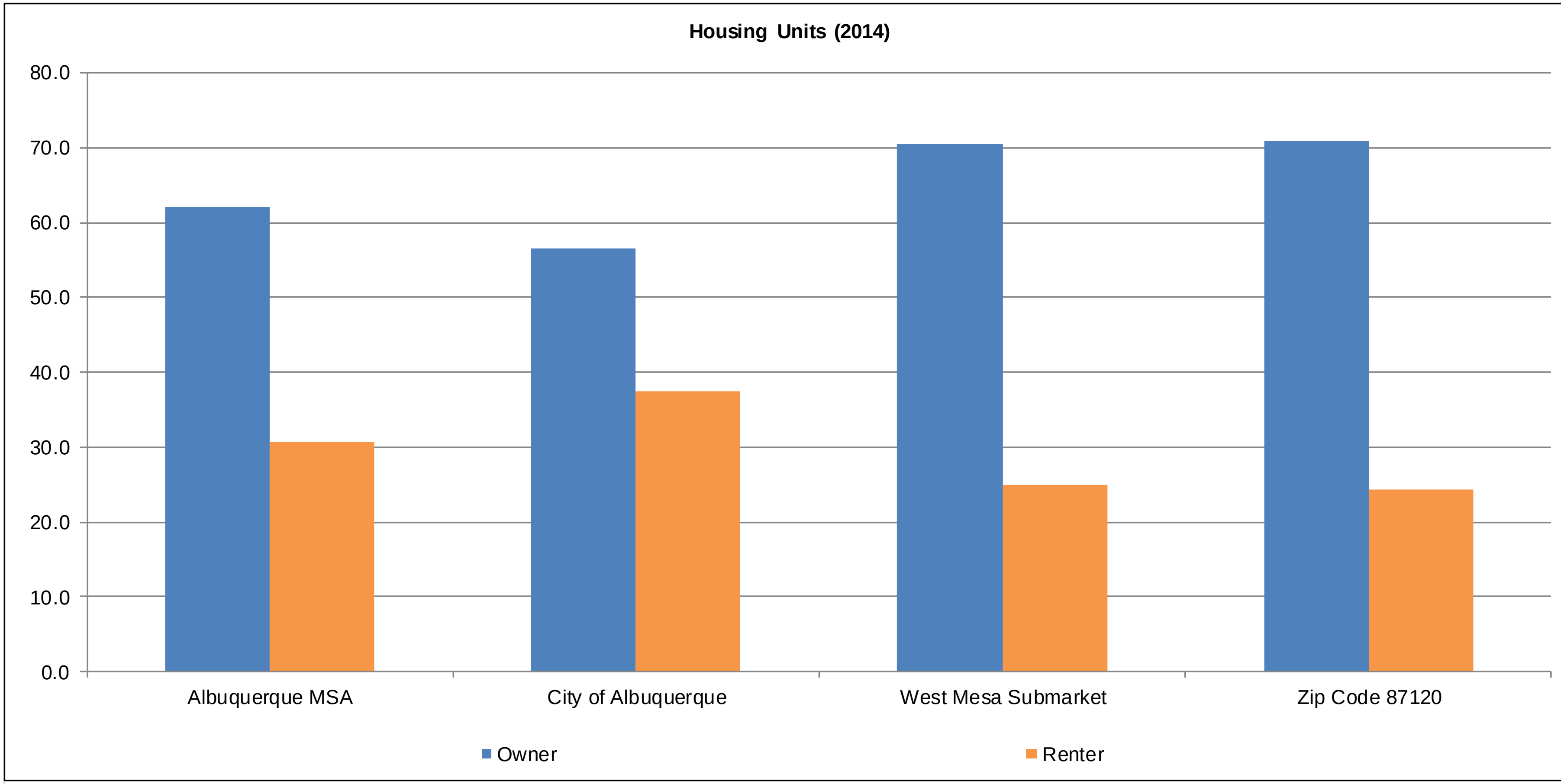




Source: ESRI

Own vs. Rent Ratio

West Mesa and 87120 are weighted toward owner, for-sale product. There has not been a lot of traditional, desirable rental communities built in the these area suggesting a potential need.



Source: ESRI

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Mixed–Use Case Studies

For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Prepared by Meyers Research, LLC.

Case Study Locations

We have identified five case studies that are good examples of mixed-use development in a suburban location of a major metropolitan area. These examples share similar characteristics with Town Center in that they are: 1) generally 20-30 minutes from the central/urban core of an MSA, and 2) include multiple uses with a focus on retail anchors and medium/high density residential.

Source: ULI, Various Developer Websites

Case Study Summary

The case study projects are summarized in the following tables.

No.	Name	Location	Developer(s)	Total Acres	Date Opened	Total Retail SF	Anchor Tenants	Number of Stores	Total Office SF	Total Parking	For Sale Units	Rental Units
1	Victoria Gardens	Rancho Cucamonga, CA	Forest City	175	Oct. 2004	1,400,000	Macy's, JC Penney	170	55,000	5,500	0	0
			The Lewis Group				Bass Pro Shops, AMC				250 (Plan)	250 (Plan)
2	Kierland Commons/	Phoenix/ Scottsdale, AZ	Woodbine Southwest/	38/	2000 - 2005/	436,776/	Crate and Barrel/	75	offsite	1,000+	84	0
	Scottsdale Quarter	Scottsdale, AZ	Wolff Companies	28	2009	370,000	Nike, Apple, H&M, Ipic	70	203,000	1,200	0	275 (U/C)
3	Entertainment Center	Irvine, CA	The Irvine Companies	38+	Nov. 1995 -	1,100,000	Nordstrom, Macy's,	164	628,000	4,304	0	1,550
	at Irvine Spectrum				2006		Target, Regal Cinemas					
4	Belmar	Denver, CO	Continuum Partners	104	May 2004	650,000	Whole Foods,	53	184,000	9,540	219	416
			Trammell Crow				Century Theatres, Dick's					
5	Orenco Station	Hillsboro (Portland), OR	PacTrust	209	2002	70,000/	New Seasons (Health Mkt)	70	30,000	835	367	1,467
						392000	Winco Foods, Kohls, Dicks	(est.)			(est.)	(est.)

No.	Name	Location	Notes
1	Victoria Gardens	Rancho Cucamonga, CA	Mall increased city's sales tax income by 44% in first year
			Retail revenues of $600 per SF in first year.
2	Kierland Commons	Phoenix/ Scottsdale, AZ	Kierland Master plan includes Westin Kierland Resort and 27-hole golf, additional office and retail. Luxury lofts at $600 psf.
	Scottsdale Quarter	Scottsdale, AZ	Opened in 2009 during recession. Leased up "A+" tenants surprisingly well.
3	Irvine Spectrum	Irvine, CA	Located at the 5 and 405 crossing, arguably best retail location in Orange County
			Features entertainment such as carousel, giant Ferris wheel and Improv comedy club]
4	Belcar	Denver, CO	Redeveloped site of a former enclosed mall.
			Combines a super regional retail, mixed-use, traditional neighborhood development, and Main Street design
5	Orenco Station	Hillsboro (Portland), OR	Includes Main Street style retail, a power center and heavy mix of apartments
			Excellent Transit Oriented Design TOD example

Source: Meyers Research, ULI Case Studies, various developer websites

Case Study Profile – Victoria Gardens

Victoria Gardens is a mixed-use center located in Rancho Cucamonga, California. The center was developed on 175 acres by Forest City and The Lewis Group and opened in 2004. There is a total 1,400,000 square feet of retail, 55,000 square feet of office space and 5,500 parking spaces. The main anchors include Macy's, JC Penney, Bass Pro Shops, and AMC Theaters. While there are no for sale or for rent units currently, there are 250 planned for sale units and 250 planned rental units.

Source: ULI, Various Developer Websites

Case Study Profile – Kierland Commons

Kierland Commons is a retail center located in Phoenix/Scottsdale, Arizona. The center was developed on 38 acres by Woodbine Southwest from 2000-2005. It includes 75 stores totaling 436,776 square feet of retail, anchored by a Crate and Barrel, with over 1,000 parking spaces. All office spaces are off site. There are a total of 84 for sale units and no rental units.

Source: ULI, Various Developer Websites

Case Study Profile – Scottsdale Quarter

Scottsdale Quarter is a mixed-use center located in Scottsdale, Arizona. The center was developed on 28 acres by Wolff Companies and opened in 2009. It includes 70 stores totaling 436,776 square feet of retail, 203,000 square feet of office space, and 1,200 parking spaces. The main anchors include Apple, Nike, H&M, and iPic Theaters. There are 275 rental units currently under constriction and no for sale units.

Source: ULI, Various Developer Websites

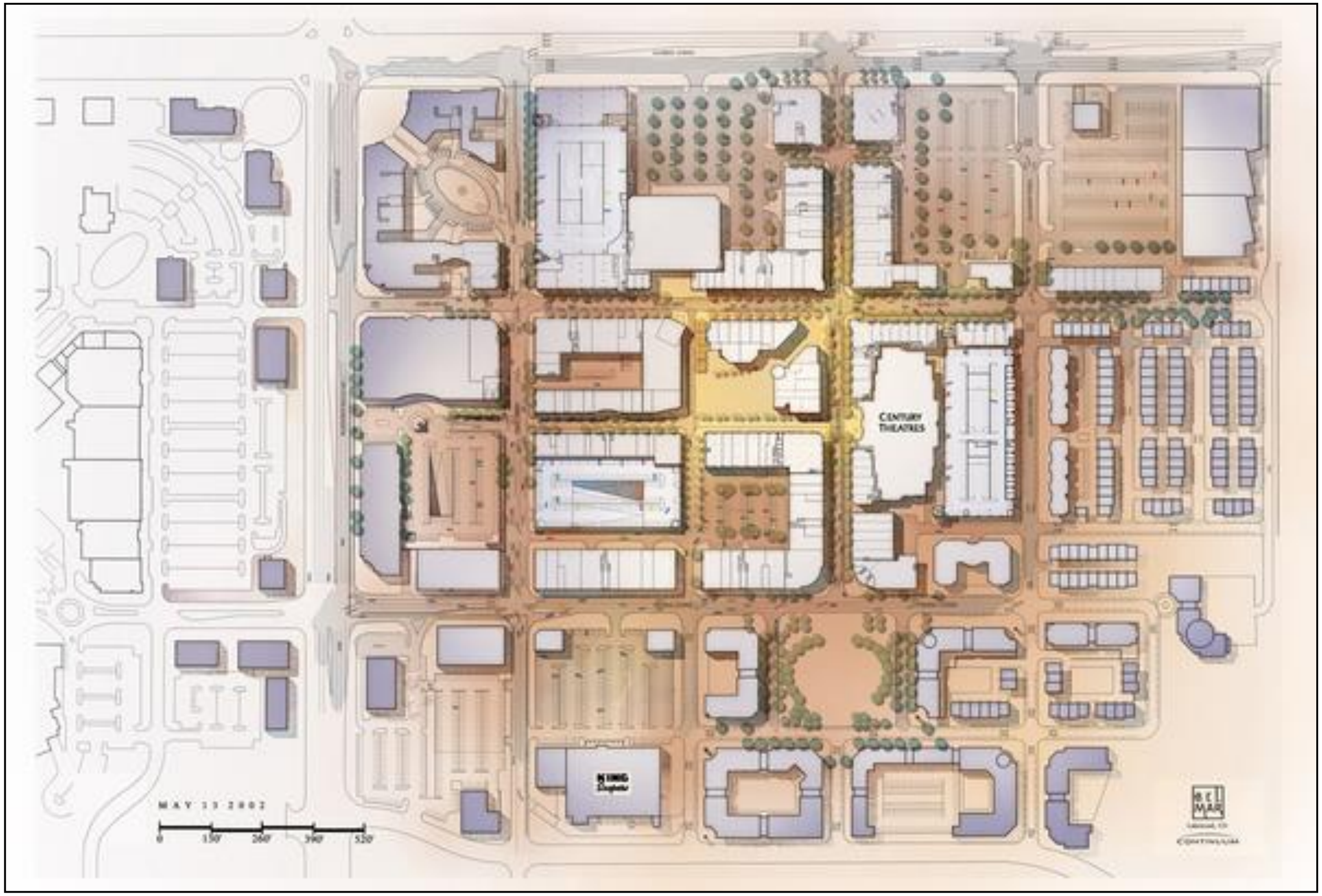
Case Study Profile – Irvine Spectrum

The Entertainment Center at Irvine Spectrum is a mixed-use center located in Irvine, California. The center was developed on more than 38 acres by The Irvine Company from 1995 to 2006. It includes 164 stores totaling 1,100,000 square feet of retail, 628,000 square feet of office space, and 4,304 parking spaces. The main anchors include Macy's, Nordstrom, Target, and Regal Cinemas. There are 1,550 rental units and no for sale units.

Source: ULI, Various Developer Websites

Case Study Profile – Belmar

Belmar is a mixed-use center located in Denver Colorado. The center was developed on 104 acres by Continuum Partners and Trammel Crow, and opened in 2004. It includes 53 stores totaling 650,000 square feet of retail, 184,000 square feet of office space, and 9,540 parking spaces. The main anchors include Whole Foods, Dick's Sporting Goods, and Century Theaters. There are 219 for sale units and 416 rental units.



Source: ULI, Various Developer Websites

Case Study Profile – Orenco Station

Orenco Station is a mixed-use center located in Hillsboro, Oregon, just outside of Portland. The center was developed on 209 acres by PacTrust and opened in 2002. It includes approximately 70 stores totaling 392,000 square feet of retail, 30,000 square feet of office space, and 835 parking spaces. The main anchors include a New Seasons health market, Winco Foods, Kohl's, and Dick's Sporting Goods. There are a total of 367 for sale units and 1,467 rental units.

Source: ULI, Various Developer Websites

Appendix

For Town Center & Town Center Village, a Proposed Mixed-Use Development
City of Albuquerque, New Mexico

Senior Living Comparable 1 - Westwind House

Name: Westwind House
Address: 6600 Los Volcanes NW, Albuquerque, NM 87121
Distance to Subject: 3.7 miles
Year Built: 1996
Occupancy: 98%
Community Fee: $750 of which $350 is refundable with 30 day notice
2nd Person Fee: $1,000 for AL and $600 for IL
Levels of care charges: All inclusive

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency (Shared)	4	300	$2,150	$7.17
AL-Efficiency	3	300	$2,550	$8.50
AL-Efficiency	3	385	$2,750	$7.14
AL-Efficiency	3	410	$2,950	$7.20
AL-One Bedroom	3	400	$3,050	$7.63
AL-One Bedroom	3	465	$3,250	$6.99
AL-One Bedroom	3	490	$3,400	$6.94
IL-Efficiency (Shared)	4	300	$1,795	$5.98
IL-Efficiency	3	300	$2,050	$6.83
IL-Efficiency	3	385	$2,450	$6.36
IL-Efficiency	3	410	$2,650	$6.46
IL-One Bedroom	3	400	$2,675	$6.69
IL-One Bedroom	3	465	$2,925	$6.29
IL-One Bedroom	3	490	$3,125	$6.38
Total/Wtd. Avg.	**44**	**389**	**$2,665**	**$6.86**

Senior Living Comparable 2 - Ravenna Assisted Living

Name: Ravenna Assisted Living
Address: 3051 Twin Oaks Drive NW, Albuquerque, NM 87120
Distance to Subject: 3.7 miles
Year Built: 2008
Occupancy: 62% - note that the community, which had been underperforming since constructed in 2008, was recently sold and has been under new management since April 2004.
Community Fee: $1,000
2nd Person Fee: The facility quotes shared rates.
Levels of Care Charges: The facility charges all-inclusive monthly rates. However, additional fees apply for incontinence-related services.

Summary of Unit Offerings				
	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency	25	400	$3,800	$9.50
AL-Efficiency (Shared)	20	700	$2,600	$3.71
Total/Wtd. Avg.	**45**	**533**	**$3,267**	**$6.13**

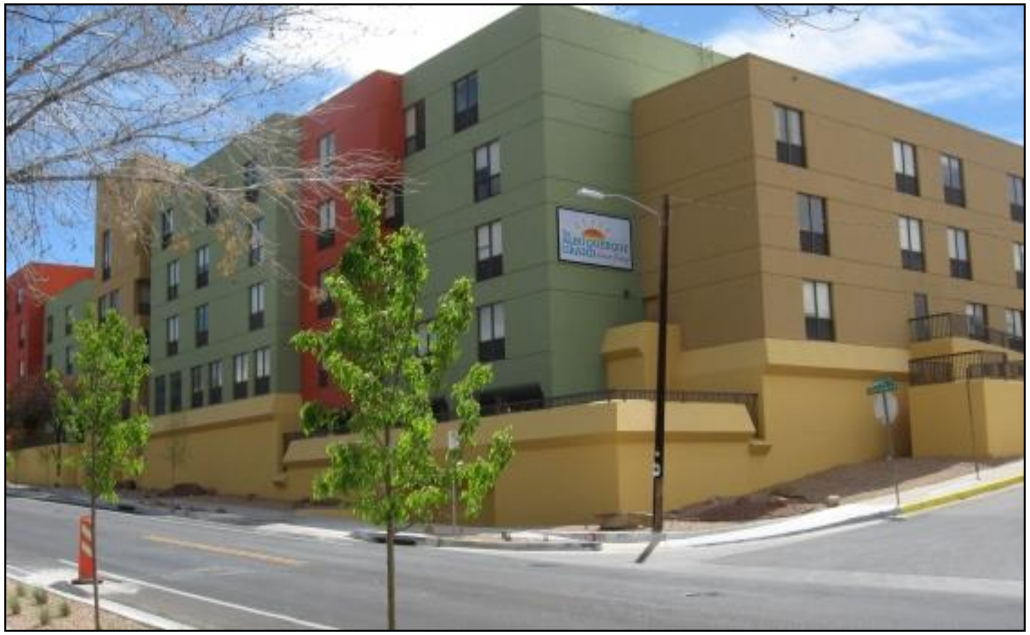
Senior Living Comparable 3 - Atria Vista Del Rio

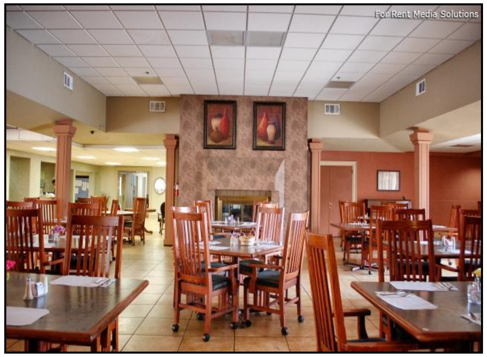
Name: Atria Vista Del Rio
Address: 1620 Indian School Rd., NE, Albuquerque, NM 87102
Distance to Subject: 9.2 miles
Year Built: 1997
Occupancy: 98%
Community Fee: $2,000
2nd Person Fee: $800/month
Levels of Care Charges: AL - Level 1 is $375, Level 2 is $750, Level 3 is $1,125 all per month. MC - Level 2 care is $650/month.
Medication Management: Level 1 is $325, Level 2 is $425, Level 3 is $525 all per month.
Atria Retreat AL - $150/per day, MC – 175/per day

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency	20	359	$2,025	$5.64
AL-Efficiency	20	410	$2,350	$5.73
AL-One Bedroom	31	506	$2,875	$5.68
MC-Efficiency	12	410	$4,900	$11.95
MC-One Bedroom	6	506	$5,100	$10.08
IL-Efficiency	17	359	$2,025	$5.64
IL-Efficiency	17	410	$2,350	$5.73
IL-One Bedroom	25	506	$2,875	$5.68
Total/Wtd. Avg.	**148**	**389**	**$2,786**	**$7.16**

Senior Living Comparable 4 - Albuquerque Grand



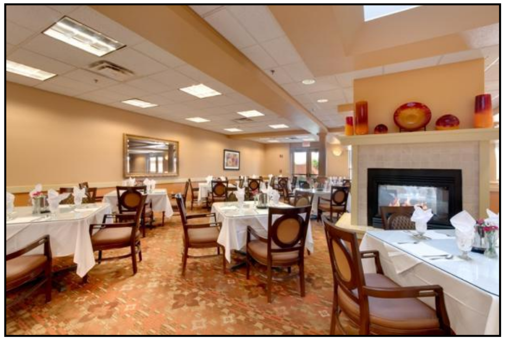


Name: Albuquerque Grand Senior Living
Address: 1501 Tijeras Avenue NE , Albuquerque, NM 87106
Distance to Subject: 9.7 miles
Year Built: 1978
Occupancy: 94% for IL and 88% for AL
Community Fee: $1,500 (non-refundable)
Deposit Fee: One month's rent (pro-rate if applicable)
2nd Person Fee: $500
Levels of Care Charges: Standard Package 1 - $1,550 and Premium Packages starting at $2,000.

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency	13	350	$3,245	$9.27
AL-Efficiency	12	300	$3,150	$10.50
AL-One Bedroom	25	500	$4,050	$8.10
IL-Efficiency	25	350	$1,695	$4.84
IL-Efficiency	26	300	$1,600	$5.33
IL-One Bedroom	51	500	$2,500	$5.00
Total/Wtd. Avg.	**152**	**413**	**$2,584**	**$6.26**

Senior Living Comparable 5 - The Woodmark at Uptown



Name: The Woodmark at Uptown
Address: 7201 Prospect Place NE., Albuquerque, NM 87110
Distance to Subject: 12.2 miles
Year Built: 1998
Occupancy: AL - 98%, MC – 100% waiting list
Community Fee: $2,500 – (non-refundable)
2nd Person Fee: $950
Levels of care charges are based on individual basis.
Month to month leases only

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency	38	410	$3,000	$7.32
AL-One Bedroom	42	550	$3,900	$7.09
AL-Two Bedroom	3	860	$5,600	$6.51
MC-Efficiency	20	410	$4,300	$10.49
MC-One Bedroom	13	550	$4,800	$8.73
MC-Two Bedroom	1	860	$6,200	$7.21
Total/Wtd. Avg.	**117**	**491**	**$3,839**	**$7.82**

Senior Living Comparable 6 - Palmilla Senior Living

Name: Palmilla Senior Living
Address: 10301 Golf Course Road, NW, Albuquerque, NM 87114
Distance to Subject: 12.9 miles
Year Built: 2013
Occupancy: IL - 100%, AL – 100% waiting list for both. MC – 92%
Community Fee: One time, non-refundable fee of $2,000
2nd Person Fee: No fee
Levels of Care Charges: Level 1 - $895, Level 2 - $1,390, Level 3 - $1,985, and Level 4 - $2,535
Pet Fee: $250

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Studio	16	355	$2,905	$8.18
AL-One Bedroom	40	627	$3,573	$5.70
MC-Studio	24	303	$3,823	$12.62
IL-Studio	15	415	$2,062	$4.97
IL-One Bedroom	39	629	$2,591	$4.12
IL-Two Bedroom	25	1,171	$3,873	$3.31
Total/Wtd. Avg.	**159**	**617**	**$3,207**	**$5.20**

Senior Living Comparable 7 - Brookdale Place at Valencia

Name: Brookdale Place at Valencia
Address: 300 Valencia Dr. SE, Albuquerque, NM 87108
Distance to Subject: 13.0 miles
Year Built: 1993
Occupancy: 95%
Community Fee: $1,500
Second Person Fee: $655 for AL
Levels of Care Charges: $545/month for Level A, $1,030/month for Level B, $1,510/month for Level C and $2,000/month for Level D.

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
AL-Efficiency	60	443	$2,645	$5.97
IL-One Bedroom	47	577	$2,895	$5.02
IL-One Bedroom	47	613	$3,065	$5.00
IL-Two Bedroom	22	890	$3,630	$4.08
IL-Two Bedroom	22	951	$3,775	$3.97
Total/Wtd. Avg.	**198**	**621**	**$3,039**	**$4.89**

Senior Living Comparable 8 - The Rio Grande

Name: The Rio Grande Gracious Retirement Living
Address: 2331 Westside Blvd SE, Rio Rancho, NM 87124
Distance to Subject: 14.0 miles
Year Built: 2013
Occupancy: 99%
Community Fee: Equal to one months rent with half for community fee and half for security deposit
2nd Person Fee: $495/month and cottages $175/month
Garage fee: $70/per month
Month to month rent, no Buy-in fees or leases

Summary of Unit Offerings

	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
IL-Efficiency	18	345	$1,695	$4.91
IL-Efficiency	18	395	$1,895	$4.80
IL-One Bedroom	18	510	$2,495	$4.89
IL-One Bedroom	18	549	$2,595	$4.73
IL-One Bedroom	18	578	$2,695	$4.66
IL-One Bedroom	18	628	$2,895	$4.61
IL-One Bedroom	18	700	$3,145	$4.49
IL-Two Bedroom	2	706	$3,595	$5.09
IL-Two Bedroom	2	994	$3,795	$3.82
IL-Two Bedroom	4	1,200	$3,995	$3.33
Total/Wtd. Avg.	**134**	**559**	**$2,569**	**$4.60**

Senior Living Comparable 9 - Paloma Landing

Name: Paloma Landing
Address: 8301 Palomas Ave. NE., Albuquerque, NM 87109
Distance to Subject: 15.4 miles
Year Built: 2008
Occupancy: 100%, waiting list
Community Fee and Move-in Fee: One month's rent – half is refundable with a 30 day notice
2nd Person Fee: $525
Month-to-month rent/no buy-in fees or leases

Summary of Unit Offerings				
	Number	Size (SF)	Market Rent Per Unit	Market Rent PSF
IL-Efficiency	33	404	$2,125	$5.26
IL-One Bedroom	69	526	$2,998	$5.70
IL-Two Bedroom	16	935	$3,740	$4.00
Total/Wtd. Avg.	**118**	**547**	**$2,854**	**$5.21**

Senior Housing Definitions

The following definitions of the Seniors Housing Classifications were jointly developed by the American Seniors Housing Association (ASHA) and the National Investment Center (NIC):

Active Adult Community: For-sale single-family homes, townhomes, cluster homes and condominiums with no specialized services, restricted to adults at least 55 years of age or older. Rental housing is not included in this category. Residents generally lead an independent lifestyle; projects are not equipped to provide increased care as the individual ages. It may include amenities such as clubhouse, golf course and recreational spaces. Outdoor maintenance is normally included in the monthly homeowner's association or condominium fee.

Senior Apartment Community: Multifamily residential rental properties restricted to adults at least 55 years of age or older. These properties do not have central kitchen facilities and generally do not provide meals to residents, but may offer community rooms, social activities, and other amenities.

Independent Living Facility (ILF): Age-restricted multifamily rental properties with central dining facilities that provide residents as part of their monthly fee with access to meals and other services such as housekeeping, linen service, transportation, and social and recreational activities. Such properties do not provide, in a majority of the units, assistance with activities of daily living (ADLs) such as supervision of medication, bathing, dressing, toileting, etc. There are no licensed skilled nursing beds in the property.

Assisted Living Facility (ALF): State regulated rental properties that provide the same services as independent living communities listed above, but also provide, in a majority of the units, supportive care from trained employees to residents who are unable to live independently and require assistance with activities of daily living (ADLs) including management of medications, bathing, dressing, toileting, ambulating and eating. These properties may have some skilled nursing beds, but the majority of units are licensed for assisted living. Many of these properties include wings or floors dedicated to residents with Alzheimer's or other forms of dementia. A property that specializes in the care of residents with Alzheimer's or other forms of dementia should be considered an assisted living property.

Independent and Assisted Living Facility (IALF): Single communities offering both independent and assisted living within the same building or on the same campus.

Nursing Facility (NF): Licensed daily rate or rental properties that are technically referred to as skilled nursing facilities (SNF) where the majority of individuals require 24-hour nursing and/or medical care. In most cases, these properties are licensed for Medicaid and/or Medicare reimbursement. These properties may include a minority of assisted living and/or Alzheimer's/dementia units.

Continuing Care Retirement Communities (CCRCs): Age-restricted properties that include a combination of independent living, assisted living and skilled nursing services (or independent living and skilled nursing) available to residents all on one campus. Resident payment plans vary and include entrance fee, condo/coop and rental programs. The majority of the units are not licensed skilled nursing beds.

Senior Housing Definitions (Cont.)

The following are additional terms that are used in describing and analyzing seniors housing properties:

Licensed beds: The number of beds a facility is licensed to operate by the appropriate state licensing agency.

Living units: The number of living units, consisting of one or more rooms, designed to accommodate residents of the facility.

Operating beds: The number of beds a facility actually operates. This may be less than the number of licensed beds.

Private bed: A bed situated in a room with no other beds/residents.

Semi-private bed: A bed situated in a room with one other bed/resident.

Private pay: Refers to a resident whose charges are funded by: personal funds, assistance from relatives or other private individuals or groups, or by long term care insurance.

Activities of daily living (ADLs) are tasks that are required to get going in the morning, get from place to place using one's body, and then close out the day in the evening. They involve caring for and moving the body, including:

- Walking
- Bathing
- Dressing
- Toileting
- Brushing teeth
- Eating

Instrumental activities of daily living (IADLs) are the activities that people do once they are up, dressed, put together. These tasks support an independent lifestyle. Many people can still live independent even though they need help with one or two of these IADLs. They include:

- Cooking
- Driving
- Using the telephone or computer
- Shopping
- Keeping track of finances
- Managing medication

Hospital Comparable 1 – Lovelace Westside Hospital

HOSPITAL COMPARABLE 1

Lovelace Westside Hospital
10501 Golf Course Road NW
Albuquerque, NM 87114

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	10.0 Miles

PROPERTY INFORMATION

Site Area (Acres)	13.20
Site Area (Sq. Ft.)	574,992
Gross Building Area:	84,902
Net Building Area:	84,902
Year(s) Built:	1984
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	700
Outpatient Surgeries	1,300
Births	100
Outpatient Visits	16,300
Emergency Room (Not Admitted)	14,400
Emergency Room (Admitted)	2,200
Total Employees	258

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	71
Licensed ALTEC Beds:	0
Licensed Other Beds:	0
Total Licensed Beds	71

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	77	3%	156	2%	2.03
Medicare	462	20%	1,744	25%	3.77
Private/Other	1,765	77%	5,162	73%	2.92
Total	2,304	100%	7,062	100%	3.07
			Occupancy:		27.25%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2013

Revenues:		Expenses:	
Inpatient Revenue:	$75,335,233	Salaries/Wages:	$16,578,030
Outpatient Revenue:	$142,042,615	Employee Benefits:	$3,169,556
Gross Patient Revenue:	$217,377,848	Other Professional Fees:	$1,955,005
Contractual Allowance (Discounts):	$168,961,586	Other Operating Expenses:	$29,382,287
Net Patient Revenues:	$48,416,262	**Total Operating Expenses:**	**$51,084,878**
Other Revenue:	$1,800,134		
Total Revenue:	**$50,216,396**	**EBITDARM:**	**($868,482)**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Emergency Services
Emergency Department
Orthopedic Services
Joint Replacement
Other Services
Obstetrics

Radiology / Nuclear Medicine / Imaging
Computed Tomography (CT)
Computed Tomography-Angiography (CTA)
Digital Mammography
Magnetic Resonance Imaging (MRI)
Single Photon Emission Computerized Tomography (SPECT)
Special Care
Intensive Care Unit (ICU)
Surgery
Inpatient Surgery

COMMENTS

The hospital consists of a small community hospital. The hospital had a significantly low census, resulting in negative EBITDARM. The hospital is located approximately 1.0 mile southeast of the newly built Presbyterian Rust Medical Center, which has negatively impacted the hospitals occupancy.

Hospital Comparable 2 – Presbyterian Rust Medical Center

HOSPITAL COMPARABLE 2

Presbyterian Rust Medical Center
2400 Unser Boulevard SE
Rio Rancho, NM 87124

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	11.0 Miles

PROPERTY INFORMATION

Site Area (Acres)	37.05
Site Area (Sq. Ft.)	1,613,898
Gross Building Area:	299,200
Net Building Area:	299,200
Year(s) Built:	2011
Quality:	Excellent
Condition:	Excellent

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	N/A
Outpatient Surgeries	N/A
Births	N/A
Outpatient Visits	N/A
Emergency Room (Not Admitted)	N/A
Emergency Room (Admitted)	N/A
Total Employees	N/A

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	89
Licensed ALTEC Beds:	0
Licensed Other Beds:	0
Total Licensed Beds	89

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	N/A	N/A	N/A	N/A	N/A
Medicare	N/A	N/A	N/A	N/A	N/A
Private/Other	N/A	N/A	N/A	N/A	N/A
Total	6,113	0%	25,550	0%	4.18
			Occupancy:		78.65%

Source: Rust Presbyterian Medical Center

FINANCIAL INFORMATION — PERIOD ENDING 12/31/2013

Revenues:		**Expenses:**	
Inpatient Revenue:	N/A	Salaries/Wages:	N/A
Outpatient Revenue:	N/A	Employee Benefits:	N/A
Gross Patient Revenue:	N/A	Other Professional Fees:	N/A
Contractual Allowance (Discounts):	N/A	Other Operating Expenses:	N/A
Net Patient Revenues:	N/A	**Total Operating Expenses:**	**N/A**
Other Revenue:	N/A		
Total Revenue:	**N/A**	**EBITDARM:**	**N/A**

VERIFICATION COMMENTS: American Hospital Directory, Public Records, Angelia with Rust Presbyterian Medical Center

SERVICES

Emergency Services	**Radiology / Nuclear Medicine / Imaging**
Emergency Department	Computed Tomography (CT)
Orthopedic Services	Computed Tomography-Angiography (CTA)
Joint Replacement	Digital Mammography
Other Services	Magnetic Resonance Imaging (MRI)
Obstetrics	Single Photon Emission Computerized Tomography (SPECT)
	Special Care
	Intensive Care Unit (ICU)
	Neonatal Care Unit
	Surgery
	Inpatient Surgery

COMMENTS

It should be noted, no financials data was available for the comparable. We were able to provide occupancy and discharge data based on discussions with the hospital operator. the original hospital was completed in September of 2011 at a cost of $98,000,000 ($1,101,124 per bed and $328 per square foot). Based on the current occupancy, the facility has absorbed at a rate of approximately 1.95 beds per month over the past three years. The new hospital was so well received that expansion has begun ahead of schedule. The hospital expansion construction began in June of 2014 with the addition of 120 beds within a 6-story tower at an estimated cost of $80 million ($666,667 per bed). The new building is slated to be completed by late 2015/early 2016. Based on our discussions with the hospital and recent published reports, from 2012 to 2013 Rust has seen a 19 percent increase in baby delivery, 21 percent increase in discharges, 37 percent increase in surgeries and a 1 percent increase in ER visits. The current expansion is reportedly seven years ahead of plan. Reportedly, a third tower is proposed that will make up the balance of approximately 141 beds. No timetable for construction start was provided for the last tower. At final project completion, the campus will total 1.2 million square feet and include 350 beds.

Hospital Comparable 3 – Lovelace Woman's Hospital

HOSPITAL COMPARABLE 3

Lovelace Women's Hospital
4701 Montgomery Boulevard, NE
Albuquerque, NM 87109

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	10.5 Miles

PROPERTY INFORMATION	
Site Area (Acres)	10.02
Site Area (Sq. Ft.)	436,471
Gross Building Area:	129,765
Net Building Area:	129,765
Year(s) Built:	1988
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES	
Inpatient Surgeries	2,100
Outpatient Surgeries	7,200
Births	1,900
Outpatient Visits	48,600
Emergency Room (Not Admitted)	28,300
Emergency Room (Admitted)	4,400
Total Employees	589

Source: American Hospital Directory

BED TYPES	
Licensed Acute Care Beds:	162
Licensed ALTEC Beds:	0
Licensed Other Beds:	0
Total Licensed Beds	162

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	444	7%	2,797	10%	6.30
Medicare	560	9%	2,208	8%	3.94
Private/Other	5,235	84%	23,944	83%	4.57
Total	6,239	100%	28,949	100%	4.64
			Occupancy:		48.96%

Source: American Hospital Directory

FINANCIAL INFORMATION — PERIOD ENDING 12/31/2013

Revenues:		Expenses:	
Inpatient Revenue:	$237,466,786	Salaries/Wages:	$38,553,652
Outpatient Revenue:	$297,843,179	Employee Benefits:	$5,246,070
Gross Patient Revenue:	$535,309,965	Other Professional Fees:	$4,839,945
Contractual Allowance (Discounts):	$389,935,380	Other Operating Expenses:	$63,171,893
Net Patient Revenues:	$145,374,585	**Total Operating Expenses:**	**$111,811,560**
Other Revenue:	$2,059,884		
Total Revenue:	**$147,434,469**	**EBITDARM:**	**$35,622,909**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Emergency Services
- Emergency Department

Orthopedic Services
- Arthroscopy
- Joint Replacement

Other Services
- Obstetrics

Radiology / Nuclear Medicine / Imaging
- Computed Tomography (CT)
- Computed Tomography-Angiography (CTA)
- Digital Mammography
- Magnetic Resonance Imaging (MRI)
- Single Photon Emission Computerized Tomography (SPECT)

Special Care
- Intensive Care Unit (ICU)
- Neonatal Intensive Care

Surgery

COMMENTS

The hospital consists of a specialty hospital for women only.

Hospital Comparable 4 – Presbyterian Kaseman Hospital

HOSPITAL COMPARABLE 4

Presbyterian Kaseman Hospital
8300 Constitution Avenue NE
Albuquerque, NM 87110

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	12 Miles

PROPERTY INFORMATION

Site Area (Acres)	19.86
Site Area (Sq. Ft.)	865,102
Gross Building Area:	133,368
Net Building Area:	133,368
Year(s) Built:	1970/1992
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	N/A
Outpatient Surgeries	N/A
Births	N/A
Outpatient Visits	N/A
Emergency Room (Not Admitted)	N/A
Emergency Room (Admitted)	N/A
Total Employees	365

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	39
Psychiatric Beds:	46
Licensed Other Beds:	0
Total Licensed Beds	85

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	20	1%	124	1%	6.20
Medicare	509	33%	4,380	25%	8.61
Private/Other	1,025	66%	12,764	74%	12.45
Total	1,554	100%	17,268	100%	11.11
			Occupancy:		55.66%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2006

Revenues:		**Expenses:**	
Inpatient Revenue:	$57,527,934	Salaries/Wages:	$23,071,338
Outpatient Revenue:	$158,178,835	Employee Benefits:	$39,813
Gross Patient Revenue:	$215,706,769	Other Professional Fees:	$4,379,950
Contractual Allowance (Discounts):	$122,578,071	Other Operating Expenses:	$55,843,492
Net Patient Revenues:	$93,128,698	**Total Operating Expenses:**	**$83,334,593**
Other Revenue:	$275,183		
Total Revenue:	**$93,403,881**	**EBITDARM:**	**$10,069,288**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Emergency Services	**Subprovider Units**
Emergency Department	Psychiatric

COMMENTS

It should be noted, approximately 54 percent of the hospital consists of psychiatric beds.

Hospital Comparable 5 – University of New Mexico Hospital

HOSPITAL COMPARABLE 5

University of New Mexico Hospital
2211 Lomas Boulevard NE
Albuquerque, NM 87106

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	8 Miles

PROPERTY INFORMATION

Site Area (Acres)	7.27
Site Area (Sq. Ft.)	316,681
Gross Building Area:	902,468
Net Building Area:	902,468
Year(s) Built:	1966, 1990, 1994 & 2008
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	9,700
Outpatient Surgeries	9,300
Births	5,800
Outpatient Visits	620,200
Emergency Room (Not Admitted)	47,100
Emergency Room (Admitted)	20,200
Total Employees	5,133

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	492
Psychiatric Beds:	82
Licensed Other Beds:	0
Total Licensed Beds	574

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	3,156	12%	24,345	14%	7.71
Medicare	3,273	12%	26,443	15%	8.08
Private/Other	19,834	76%	121,366	70%	6.12
Total	26,263	100%	172,154	100%	6.56
			Occupancy:		82.17%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2013

Revenues:		**Expenses:**	
Inpatient Revenue:	$854,453,291	Salaries/Wages:	$319,186,710
Outpatient Revenue:	$694,921,347	Employee Benefits:	$1,607,561
Gross Patient Revenue:	$1,549,374,638	Other Professional Fees:	$46,888,619
Contractual Allowance (Discounts):	$884,987,462	Other Operating Expenses:	$380,721,897
Net Patient Revenues:	$664,387,176	**Total Operating Expenses:**	**$748,404,787**
Other Revenue:	$130,261,988		
Total Revenue:	**$794,649,164**	**EBITDARM:**	**$46,244,377**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Cardiovascular Services
- Cardiac Cath Lab
- Cardiac Rehab
- Cardiac Surgery
- Carotid Stenting
- Coronary Interventions
- Electrophysiology
- Vascular Intervention
- Vascular Surgery

Emergency Services
- Emergency Department
- Trauma Center - ACS/COT Verified

Neurosciences
- Electroencephalography (EEG)
- Sleep Studies

Oncology Services
- Cancer Program - ACS/CoC Approved
- Chemotherapy

Organ Transplant (Medicare certified)
- Kidney Transplant (05/01/1983)

Orthopedic Services
- Arthroscopy
- Joint Replacement
- Spine Surgery

Radiology / Nuclear Medicine / Imaging
- Computed Tomography (CT)
- Computed Tomography-Angiography (CTA)
- Digital Mammography
- Magnetic Resonance Imaging (MRI)
- Positron Emission Tomography (PET)
- Single Photon Emission Computerized Tomography (SPECT)

Rehabilitation Services
- Physical Therapy

Special Care
- Burn Intensive Care (BICU)
- Coronary Intensive Care (CCU)
- Intensive Care Unit (ICU)
- Surgical Intensive Care (SICU)

Subprovider Units
- Psychiatric

Surgery
- Inpatient Surgery
- Robotic Surgery

Wound Care
- Wound Care

Other Services
- Hemodialysis
- Hospice
- Obstetrics

COMMENTS

The hospital consists of a large County run medical center that offers a broad range of services. It should be noted, the above statistics also includes the 18 bed University of New Mexico Carrie Tingle Hospital located just west of the main Medical Center. The hospital also includes 82 psychiatric beds.

Hospital Comparable 6 – Presbyterian Hospital

HOSPITAL COMPARABLE 6

Presbyterian Hospital
1100 Central Avenue SE
Albuquerque, NM 87106

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	7.1 Miles

PROPERTY INFORMATION

Site Area (Acres)	8.27
Site Area (Sq. Ft.)	360,241
Gross Building Area:	1,279,690
Net Building Area:	1,279,690
Year(s) Built:	1966, 1973, 1992 & 1994
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	12,600
Outpatient Surgeries	48,300
Births	3,100
Outpatient Visits	669,600
Emergency Room (Not Admitted)	86,700
Emergency Room (Admitted)	26,300
Total Employees	4,501

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	702
Psychiatric Beds:	46
Skilled Nursing:	55
Total Licensed Beds	803

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	1,709	5%	9,099	5%	5.32
Medicare	7,893	21%	41,934	22%	5.31
Private/Other	27,311	74%	139,024	73%	5.09
Total	36,913	100%	190,057	100%	5.15
			Occupancy:		64.84%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2013

Revenues:		**Expenses:**	
Inpatient Revenue:	$1,170,582,865	Salaries/Wages:	$402,331,512
Outpatient Revenue:	$1,563,107,591	Employee Benefits:	$284,149
Gross Patient Revenue:	$2,733,690,456	Other Professional Fees:	$72,415,404
Contractual Allowance (Discounts):	$1,533,230,141	Other Operating Expenses:	$636,978,764
Net Patient Revenues:	$1,200,460,315	**Total Operating Expenses:**	**$1,112,009,829**
Other Revenue:	$37,044,697		
Total Revenue:	**$1,237,505,012**	**EBITDARM:**	**$125,495,183**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Cardiovascular Services
- Cardiac Cath Lab
- Cardiac Rehab
- Cardiac Surgery
- Carotid Stenting
- Coronary Interventions
- Electrophysiology
- Vascular Intervention
- Vascular Surgery

Emergency Services
- Emergency Department

Neurosciences
- Electroencephalography (EEG)
- Sleep Studies

Oncology Services
- Cancer Program - ACS/CoC Approved
- Chemotherapy
- Radiation Therapy

Organ Transplant (Medicare certified)
- Kidney Transplant (09/10/1985)

Orthopedic Services
- Arthroscopy
- Joint Replacement
- Spine Surgery

Radiology / Nuclear Medicine / Imaging
- Computed Tomography (CT)
- Computed Tomography-Angiography (CTA)
- Intensity-Modulated Radiation Therapy (IMRT)
- Magnetic Resonance Imaging (MRI)
- Positron Emission Tomography (PET)
- Single Photon Emission Computerized Tomography (SPECT)

Rehabilitation Services
- Physical Therapy

Special Care
- Coronary Intensive Care (CCU)
- Intensive Care Unit (ICU)
- Neonatal Intensive Care

Subprovider Units
- Psychiatric
- Skilled Nursing (SNF)

Surgery
- Inpatient Surgery
- Radiosurgery

Wound Care
- Hyperbaric Oxygen
- Wound Care

Other Services
- Hemodialysis
- Home Health
- Hospice
- Lithotripsy (ESWL)
- Obstetrics

COMMENTS

The hospital consists of a large medical center that offers a broad range of services. The hospital also includes 46 psychiatric beds and 55 skilled nursing beds. It should be noted, over the next eight years, Presbyterian Hospital will be converting semi-private rooms to private rooms, which will result in a reduction of total beds at the facility.

Hospital Comparable 7 – Lovelace Medical Center

HOSPITAL COMPARABLE 7

Lovelace Medical Center
601 Dr. Martin Luther King Jr. NE
Albuquerque, NM 87102

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	7 Miles

PROPERTY INFORMATION

Site Area (Acres)	11.98
Site Area (Sq. Ft.)	521,849
Gross Building Area:	313,400
Net Building Area:	313,400
Year(s) Built:	1966 & 2003
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	4,800
Outpatient Surgeries	7,900
Births	0
Outpatient Visits	36,700
Emergency Room (Not Admitted)	23,100
Emergency Room (Admitted)	6,100
Total Employees	1,036

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	268
Psychiatric Beds:	24
Licensed Other Beds:	0
Total Licensed Beds	292

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	190	2%	1,329	2%	6.99
Medicare	3,481	32%	18,291	33%	5.25
Private/Other	7,081	66%	35,999	65%	5.08
Total	10,752	100%	55,619	100%	5.17
			Occupancy:		52.19%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2013

Revenues:		Expenses:	
Inpatient Revenue:	$710,492,984	Salaries/Wages:	$67,181,589
Outpatient Revenue:	$498,956,728	Employee Benefits:	$11,723,503
Gross Patient Revenue:	$1,209,449,712	Other Professional Fees:	$10,925,544
Contractual Allowance (Discounts):	$952,461,966	Other Operating Expenses:	$150,669,555
Net Patient Revenues:	$256,987,746	**Total Operating Expenses:**	**$240,500,191**
Other Revenue:	$4,117,801		
Total Revenue:	**$261,105,547**	**EBITDARM:**	**$20,605,356**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Cardiovascular Services
- Cardiac Cath Lab
- Cardiac Surgery
- Coronary Interventions
- Electrophysiology
- Vascular Intervention

Emergency Services
- Emergency Department

Oncology Services
- Radiation Therapy

Orthopedic Services
- Joint Replacement
- Spine Surgery

Other Services
- Hemodialysis
- Lithotripsy (ESWL)

Radiology / Nuclear Medicine / Imaging
- Computed Tomography (CT)
- Computed Tomography-Angiography (CTA)
- Intensity-Modulated Radiation Therapy (IMRT)
- Magnetic Resonance Imaging (MRI)
- Positron Emission Tomography (PET)
- Single Photon Emission Computerized Tomography (SPECT)

Rehabilitation Services
- Physical Therapy

Special Care
- Intensive Care Unit (ICU)

Subprovider Units
- Psychiatric

Surgery
- Inpatient Surgery
- Radiosurgery

COMMENTS

The hospital consists of a large medical center that offers a broad range of services. The hospital also includes 24 psychiatric beds.

MEYERS RESEARCH
a Kennedy Wilson Company

Hospital Comparable 8 – Heart Hospital at Lovelace Medical

HOSPITAL COMPARABLE 8

Heart Hospital of NM at Lovelace Medical Center
504 Elm Street NE
Albuquerque, NM 87102

Property Type:	Healthcare
Property Subtype:	Acute Care Hospital
Distance From Subject:	7 Miles

PROPERTY INFORMATION

Site Area (Acres)	4.89
Site Area (Sq. Ft.)	213,008
Gross Building Area:	71,721
Net Building Area:	71,721
Year(s) Built:	1999
Quality:	Good
Condition:	Good

ESTIMATED PATIENT VOLUMES

Inpatient Surgeries	900
Outpatient Surgeries	200
Births	0
Outpatient Visits	4,100
Emergency Room (Not Admitted)	3,800
Emergency Room (Admitted)	900
Total Employees	248

Source: American Hospital Directory

BED TYPES

Licensed Acute Care Beds:	55
Licensed ALTEC Beds:	0
Licensed Other Beds:	0
Total Licensed Beds	55

INPATIENT UTILIZATION DATA

	Discharges	%	Patient Days	%	ALOS
Medicaid	110	4%	564	5%	5.13
Medicare	1,756	62%	7,825	65%	4.46
Private/Other	951	34%	3,696	31%	3.89
Total	2,817	100%	12,085	100%	4.29
			Occupancy:		60.20%

Source: American Hospital Directory

FINANCIAL INFORMATION PERIOD ENDING 12/31/2011

Revenues:		**Expenses:**	
Inpatient Revenue:	$173,940,084	Salaries/Wages:	$16,902,561
Outpatient Revenue:	$99,606,501	Employee Benefits:	$228,922
Gross Patient Revenue:	$273,546,585	Other Professional Fees:	$2,750,307
Contractual Allowance (Discounts):	$192,706,231	Other Operating Expenses:	$45,670,591
Net Patient Revenues:	$80,840,354	**Total Operating Expenses:**	**$65,552,381**
Other Revenue:	$112,027		
Total Revenue:	**$80,952,381**	**EBITDARM:**	**$15,400,000**

VERIFICATION COMMENTS: American Hospital Directory and Public Records

SERVICES

Cardiovascular Services
- Cardiac Cath Lab
- Cardiac Surgery
- Carotid Stenting
- Coronary Interventions
- Electrophysiology
- Vascular Surgery

Emergency Services
- Emergency Department

Orthopedic Services
- Joint Replacement
- Spine Surgery

Other Services
- Hemodialysis

COMMENTS

The hospital consists of a small specialty heart hospital. It should be noted, the hospital was recently purchased by the current operator in May of 2011 for $119 million or $2,163,636 per bed. The sale represents the highest hospital sale across the country over the past four years.

Market Absorption & Revenue Study

For Town Center, a Proposed Mixed-Use Development in the City of Albuquerque, New Mexico

December 2014 | Western Albuquerque Land Holdings
Town Center & Town Center Village, Albuquerque, New Mexico

MEYERS RESEARCH
a Kennedy Wilson Company

EXHIBIT 5

INFORMATION REGARDING THE
LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT
AND THE PETITIONER UNDER THE PETITION AND APPLICATION

Western Albuquerque Land Holdings LLC, a Delaware limited liability company ("**WALH**") was formed by the lenders who financed SunCal affiliate, Westland DevCo LP's 2006 acquisition of Westland Development Company, Inc. ("**Westland**"). Westland's primary asset consisted of 53,000 acres of real property, with portions located in the City of Albuquerque, New Mexico (the "**City**") and in Bernalillo County, New Mexico (collectively the "**Westland Property**"). WALH obtained title to the Westland Property via a Special Master's Deed in December of 2010. The real property, which is the subject of WALH's petition and application to the City for formation of the Lower Petroglyphs Tax Increment Development District (the "**District**"), is included in the Westland Property and is located entirely within the municipal limits of the City.

The following is a description of WALH's members, the parties with a financial interest in the proposed development of the District, which provides evidence of the financial capacity of WALH to undertake the development of the on-site and off-site improvements that directly or indirectly benefit the District or otherwise facilitate development within the District and information regarding past projects and relevant experience:

- *Barclays Capital Real Estate, Inc., owned by Barclays PLC (NYSE: BCS)*. Barclays PLC is a major global financial services provider engaged in personal banking, credit cards, corporate and investment banking and wealth and investment management with an extensive international presence in Europe, the Americas, Africa and Asia. With over 300 years of history and expertise in banking, Barclays PLC operates in over 50 countries and employs 140,000 people. Additional information, including most recent financial reports can be found on the company's website at http://group.barclays.com.

- *Five Mile Capital Partners LLC*. Five Mile Capital Partners LLC, with over $2 billion of assets under management, is an alternative investment and asset management company established in 2003. Five Mile Capital Partners LLC specializes in investment opportunities in commercial real estate, debt products, structured finance, asset-based lending and financial services private equity. The company's principals have significant experience, knowledge and skills relevant to the financial services industry and believe the cyclical and dynamic nature of the sector continually provides a broad opportunity for investments across the capital structure. Additional information, including the most recent annual report and related financial reports may be found on the company's website at http://fivemilecapital.com.

- *iStar Financial Inc. (NYSE: SFI)*. iStar Financial Inc., is a fully-integrated finance and investment company focused on the commercial real estate industry. The Company provides custom-tailored investment capital to high-end private and corporate owners of real estate and invests directly across a range of real estate sectors. The company, which is taxed as a real estate investment trust, has invested more than $35 billion over the past two decades. Additional information is available on the company's website at www.istarfinancial.com.

The members of WALH are recognized as leaders in the industry and have the know-how and capital to undertake and complete the development of the real property comprising the District. In fact, WALH has a significant recent track record in developing and financing infrastructure projects servicing the Westland Property. For example, WALH expended approximately $3 million to widen Tierra Pintada Boulevard to four lanes between approximately Arroyo Vista and Calle Azulejo, which included financing and overseeing the construction and installation of asphalt, sidewalks, curbs and gutters, median curbs and gutters, water, sanitary sewer, arroyo crossing structure, ADA ramps, signing and striping, and re-vegetation of specific areas. Additionally, WALH has, to date, expended or committed to spend approximately $25 million on design and construction of a regional water and sewer project which will provide 12,000 GPM (gallons per minute) or 17,280,000 GPD (gallons per day) of potable water to serve 10,300 acres of the Westland Property located along Atrisco Vista Boulevard and I-40. The sewer portion of this project is complete and the water portion will be complete by end of the fourth quarter of 2015. Additionally, Westland, with funds provided by the members of WALH, worked with the Albuquerque Metropolitan Arroyo Flood Control Authority and New Mexico Department of Transportation to construct $8,172,400 of regional improvements providing storm drain solutions servicing the Westland Property and many additional properties east of 98th Street.

It is anticipated that WALH will provide the initial equity required to finance public infrastructure serving or otherwise benefitting the District, which may be constructed by WALH pursuant to the terms of the Infrastructure Development and Acquisition Agreement among the District, WALH and the City. WALH will subsequently seek reimbursement from the District for all or a portion of the costs associated with such public infrastructure. The projected sources for such equity contribution are WALH's cash-on-hand and loan proceeds. WALH expects to fund these costs beginning in the First Quarter of 2017 and continuing through the First Quarter of 2030.

The funding and reimbursement process will result in the minimum twenty percent (20%) equity contribution required prior to the issuance by the District of its gross receipts tax increment bonds and/or property tax increment bonds. The District may also, at its sole discretion, choose to finance the costs associated with such public infrastructure through the issuance or incurrence of loans, advances, and other indebtedness payable from the revenues generated within the District by the gross receipts tax increment and the property tax increment.

WALH does not have material litigation or three-year audited financial statements to disclose.

EXHIBIT 6

INFORMATION REGARDING THE
LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT
AND COMPLIANCE WITH CITY DEVELOPMENT OBJECTIVES

The Lower Petroglyphs Tax Increment Development District (the "**District**" or the "**TIDD**") will encompass approximately 336 acres of land (the "**Land**") located wholly within the corporate boundaries of the City of Albuquerque, New Mexico (the "**City**") and within the City's Westland Master Plan and Sector Development Plan. The TIDD includes several platted parcels shown on the Plat of Parcels C-2-A, C-3-A, C-3-B, C-3-C, D-1-A, D-1-D, E-1, F-1, G-1 & H-1, Westland North (Document #2013108078, Bernalillo County Clerk records), and is anticipated to include approximately 1,153,000 square feet of commercial building space, 1,411,500 square feet of medical building space, and 664 residential units. The Land is located within the area served by the following public schools: West Mesa High School, Jimmy Carter Middle School and Painted Sky Elementary School. Additionally, there are plans to develop both a K-8 school and high school on property adjacent to the nearby Mirehaven Residential Development.

The formation of the District will help meet the development objectives of the City through, among other things, enabling Western Albuquerque Land Holdings LLC, a Delaware limited liability company (the "**Petitioner**") to plan and construct the infrastructure improvements benefitting the District as a single project within appropriate boundaries. These infrastructure improvements serve a defined service area and will promote planned growth and orderly development, rather than growth in a fragmented, piecemeal or leapfrogging pattern. See City of Albuquerque West Side Strategic Plan, Policy 3.54, 4.1, 4.1; Westland Master Plan at 7-15. Any such public improvements to be conveyed to the City will be built to the City's specifications and requirements, and ultimately will be dedicated and conveyed to the City, except for those improvements, if any, that are built to the respective specifications of and dedicated and conveyed to the Albuquerque Bernalillo County Water Utility Authority, the State of New Mexico or another governmental agency.

The City Council's passage of Resolution R-12-80 (Amending The Westland Sector Development Plan, And The Westland Master Plan, To Respond To Future Development Plans For An Education Campus, Athletic Fields And A Regional Park, And To Modify Land Uses And Densities In Certain Areas), as well as the approval and recordation of the subdivision plats pertaining to the Land, require and demonstrate that the proposed development of the Land is consistent with (i) the goals of promoting orderly development; (ii) the Albuquerque/ Bernalillo County Comprehensive Plan; (iii) applicable growth management policies and zoning requirements; and (iv) all other applicable long-range development, conservation and growth management policies, including without limitation city's applicable long-range policies set forth in City Ordinance Section 4-10-3(D).

Moreover, Resolution R-12-80 and the amendments it enacts demonstrate the City's anticipation of and planning for the development of the Land as proposed by Petitioner by, among other things, enacting specific zoning categories for the Land (SU-2 for Town Center and SU-2 for

Town Center Village). The optional zoning categories for new growth areas contained in City Resolution No. F/S R-02-111(A) are inapplicable to the Land.

The Land is not located in the areas required by Sections 4-10-1 through -8 ROA 1994 (the "**City Policy Guidelines**") to satisfy the no-net expense policy as described in the City Policy Guidelines. The Land is located within the Developing Urban area as defined in the Albuquerque/ Bernalillo County Comprehensive Plan, and is within the "Served Area" as defined under F/S R-02-111.

The District enables development of the Land in a manner that reasonably protects the interests of the City Council in meeting its goals to support job creation, workforce housing, public school facility creation and improvement, including the creation and improvement of facilities for charter schools, and underdeveloped area or historical area redevelopment. The District's Tax Increment Development Plan provides for, among other things, not only short-term construction jobs, but also long-term medical, office, retail and other jobs in the area. The Petitioner has also coordinated with the City and Albuquerque Public Schools to enable development of school facilities, including the nearby APS Sports Complex. The Land, which is the subject of the District's Tax Increment Development Plan, is located in a historically underserved area of the West Mesa, to which the City has grown and which is now ready for development.

The District's Tax Increment Development Plan demonstrates elements of innovative planning techniques, including mixed-use, transit-oriented development and environmentally sustainable development techniques that have been deemed by the City to benefit community development, as described in the Albuquerque/ Bernalillo County Comprehensive Plan and other long-range development, conservation and growth management policies of the City. The District's Tax Increment Development Plan includes a multitude of complimentary uses, encompassing, medical, retail, office, residential, open space and recreational. Linkages with mass transit will be provided, encouraging sustainability by those linkages and by providing much-needed transportation services in an area historically predominated by residential development. The uses that are included in the Land will complement the new APS Stadium and the City's planned Regional Park. The APS Stadium and City Regional Park intend to draw regional visitors to the area. The uses that are included in the District's Tax Increment Development Plan will create a synergy that will support City Tourism through the provision of restaurants, hotels, and retail centers. Additionally the medical services, office and multi-family uses will provide for more balanced land use by creating employment opportunities.

The Land has excellent regional access as it is located to the north of Interstate 40, with access off of the Interstate. Residential densities will support transit, and pedestrian and vehicular linkages with mass transit will be provided, encouraging a multi-modal, sustainable transportation network in an area historically predominated by residential development.

Petitioner will continue to develop the Land pursuant to the District's Tax Increment Development Plan and an organized plan of development under which all necessary and appropriate City approvals are obtained, which approvals will further confirm the development's compliance with and advancement of the City's development objectives.

EXHIBIT 7

INFRASTRUCTURE DEVELOPMENT AND ACQUISITION AGREEMENT

BY AND BETWEEN

THE CITY OF ALBUQUERQUE, NEW MEXICO

LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT

AND

WESTERN ALBUQUERQUE LAND HOLDINGS LLC

DATED AS OF _______________, 2015

RELATING TO:
LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT

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This INFRASTRUCTURE DEVELOPMENT AND ACQUISITION AGREEMENT (this "**Agreement**") is entered into and effective as of May 18, 2015 (the "**Effective Date**") by and among the CITY OF ALBUQUERQUE, NEW MEXICO, a charter municipality (the "**City**"), LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT, a political subdivision of the State of New Mexico separate from the City (the "**District**") and WESTERN ALBUQUERQUE LAND HOLDINGS LLC, a Delaware limited liability company and its successors and assigns (the "**Developer**" and together with the City and the District are collectively, the "**Parties**"), in connection with the facts and circumstances recited below.

RECITALS

A. The Tax Increment for Development Act, NMSA 1978, §§ 5-15-1 to -28 (2006, as amended) (the "**Act**") and Sections 4-10-1 to 8 ROA 1994 (the "**City Policy Guidelines**") provide that the owner of property to be included in a tax increment development district, the municipality in which the tax increment development district is located and the tax increment development district may enter into a development agreement to establish the obligations of the owner or developer, the municipality and the tax increment development district concerning the zoning, subdivision, improvement, impact fees, financial responsibilities, and other matters relating to the development, improvement and use of real property within the tax increment development district.

B. The Developer owns approximately 336 acres of land (the "**Land**") located wholly within the corporate boundaries of the City, and identified by the legal description provided in Exhibit A to this Agreement and hereby incorporated into and made a part of this Agreement and illustrated in the "District Boundary Map" included in the District's Tax Increment Development Plan, which is attached to this Agreement as Exhibit B and hereby incorporated into and made a part of this Agreement (the "**Tax Increment Development Plan**").

C. The Developer submitted to the City a petition for formation of the District on the Land (the "**Petition**") and documents in support of the Petition (the "**Application**") pursuant to the Act and the City Policy Guidelines.

D. The Land comprises all of the real property included in the District and is subject to Tax Increment Development District Formation Resolution Enactment No. R-2015-___ (the "**Formation Resolution**"), attached to this Agreement as Exhibit C and hereby incorporated into and made a part of this Agreement. The District will be governed by a board of directors, described in the Formation Resolution, which shall administer the implementation of the Tax Increment Development Plan.

E. The Developer certified to the City in the Petition and Application that it is the owner of the Land in fee simple and it has waived its right to an election and that no qualified electors resided on the Land and, based upon the further waiver of the owner election by the City in Section 4 of the Formation Resolution, the District was formed upon the adoption of the Formation Resolution pursuant to NMSA 1978, § 5-15-8 (2006).

F. The District has been formed for the purpose of financing and paying the Developer for the costs of certain public improvements directly or indirectly benefitting or otherwise facilitating development of the Westland Town Center and the Westland Town Center Village (the "**Project**"), which shall be suitable for conveyance to the City upon completion, to the extent such public improvements are not otherwise conveyed to the Albuquerque Bernalillo County Water Utility Authority (the "**ABCWUA**"), the State of New Mexico (the "**State**") or another governmental agency (an "**Agency**" and together with the State and the ABCWUA are collectively the "**Participating Agencies**" and individually a "**Participating Agency**"), and upon completion and acceptance by the City shall be first conveyed to the District and subsequently conveyed by the District to the City or, as applicable, another Participating Agency for operation and maintenance.

G. The Parties anticipate that eligible costs associated with the public improvements described in the District Funded Improvements List, which is attached as Exhibit D to this Agreement and hereby incorporated into and made a part of this Agreement (the "**District Funded Improvements**"), will be financed by the District from the proceeds of gross receipts tax increment bonds and/or property tax increment bonds (collectively the "**District Bonds**") and/or loans, advances, and other indebtedness (collectively the "**Other Obligations**" and together with the District Bonds, collectively the "**District Obligations**") incurred or issued by the District. The District Obligations are payable from the revenues generated within the District by the Gross Receipts Tax Increment (as defined in the Formation Resolution) and/or the Property Tax Increment (as defined in the Formation Resolution) (collectively the "**Tax Increment Revenues**"). The Parties expect the District Obligations to be secured and administered pursuant to one or more indentures of trust to be entered into by the District for the benefit of owners of the District Obligations, which shall be in a form reasonably acceptable to the Developer, and such indenture will provide for collection, administration, investment and payment of debt service on District Obligations with the Tax Increment Revenues.

H. Additional public improvements may be financed from sources other than the District (the "**Additional Improvements**"), which such sources of financing may include: private financings and loans, funds generated by and from public improvement districts, business improvement districts, other assessment districts, monies (and tax increments) from other jurisdictions, or appropriations from legislatures; provided, however, that any public improvement district, business improvement district or other assessment districts must comply with all local ordinances. The District Funded Improvements together with the Additional Improvements are collectively referred to as the "**Public Improvements**".

I. The Developer may construct and install the Public Improvements. The Developer may, however, agree to sell all or a portion of the Land and this Agreement to a third-party purchaser (a "**Third-Party Purchaser**" and together with the Developer are collectively the "**Builders**" or individually each is a "**Builder**") prior to the construction and installation of all Public Improvements. Depending on the terms of such agreement, if consummated, all Public Improvements would be constructed and installed either by the Developer and/or a Third-Party Purchaser. The Developer may require that a Third-Party Purchaser pay for the construction and installation of all or a portion of the Public Improvements. In such an event, the Developer would be entitled to receive a Purchase Price (as defined in Section 4 of this Agreement) relating to the District's acquisition of District Funded Improvements constructed and installed all or in part by either the Developer or a Third-Party Purchaser. A Builder shall convey the District Funded Improvements to the District, in accordance with the terms and requirements of this

Agreement, and, upon acceptance by and conveyance to the District from a Builder, the District shall, pursuant to the terms of this Agreement, pay the corresponding Purchase Price or issue such Other Obligation memorializing the District current obligation to pay the corresponding Purchase Price plus interest at a rate authorized by the governing body of the District on the principal amount of the Other Obligation to the Developer for such District Funded Improvements conveyed to the District by the Developer and/or a Third-Party Purchaser.

J. Payment by the District to the Developer for all or any portion of the District Funded Improvements shall be (i) conditioned upon the District's receipt of sufficient funds and (ii) made in accordance with the terms of this Agreement, the Formation Resolution, and, to the extent applicable, the Indenture (as defined below) and other agreements and documents associated with the issuance of the District Bonds and Other Obligations.

K. The Builders will convey title to the District Funded Improvements to the District in consideration of the District's agreement to pay the cost associated with the acquisition of the District Funded Improvements, as provided in this Agreement. It is anticipated that the District will pay the Developer for District Funded Improvements from (i) the proceeds of District Bonds and/or (ii) by satisfying the Other Obligations from the proceeds of the Tax Increment Revenues and/or the District Bonds.

THEREFORE, in consideration of the mutual covenants of the parties set forth in this Agreement, and for other valuable consideration, the City, the District, and the Developer agree as follows:

AGREEMENT

1. <u>Effective Date of Agreement and District is a Party</u>.

A. <u>Effective Date</u>. This Agreement shall be dated effective as of the City's formation of the District pursuant to the Act and the City Policy Guidelines irrespective of the date of execution of this Agreement by the parties hereto.

B. <u>District is Party to this Agreement</u>. Pursuant to the Formation Resolution, the District shall, without further action by the governing body of the District, be a party to this Agreement and shall be bound to all terms and obligations set forth herein.

2. <u>Boundaries of District</u>. The District shall include the Land described in <u>Exhibit A</u> to this Agreement. The boundaries of the District may be amended as provided in NMSA 1978, § 5-15-25 (2006).

3. <u>Development, Approval, Conveyance and Acceptance of District Funded Improvements</u>.

A. <u>Development Process for Public Improvements</u>.

(i) District Funded Improvements, which are not otherwise conveyed to a Participating Agency, shall be designed and constructed pursuant to a City work order(s) and in accordance with the City's "Development Process Manual" (the "**DPM**") setting forth the

City's general requirements for the construction of public infrastructure. Furthermore, in accordance with the City's published policies and requirements, for subdivision of property, the Builders shall, prior to constructing District Funded Improvements, which are ultimately to be conveyed to the City and may be constructed in phases, prepare and submit to the City's Development Review Board ("**DRB**") an infrastructure list, preliminary plat and final plat for approval and enter into one or more Subdivision Improvement Agreements (each a "**SIA**"). District Funded Improvements shall be designed and constructed in the locations designated in the DRB infrastructure list in accordance with City DPM Volume 1, Chapter 5. If there is an event of default by a Builder under any such SIA, the City may pursue the remedies set forth in the SIA.

(ii) The Builders shall perform their obligations and conduct operations with respect to the District Funded Improvements in a good, workmanlike, commercially reasonable manner using the standard of care normally employed in the performance of work that is comparable. If the Developer determines in its sole discretion to not seek reimbursement for the cost of all or part of the District Funded Improvements, then Developer shall not be required to construct such District Funded Improvements unless the Developer has otherwise committed to construct the District Funded Improvements as a condition of subdivision or site plan approval or otherwise.

(iii) The design, construction, dedication, and conveyance of Additional Improvements to serve the Project shall be undertaken in accordance with the applicable terms, requirements, and procedures described in an SIA or other agreement with the City and/or Participating Agency relating to such Additional Improvements.

(iv) The Parties cannot predict when or at what rate the Land may be developed or when any phase of the Project may be developed. Such decisions depend upon numerous factors, which are not all within the control of the Parties, such as market orientation and demand, interest rates and competition. It is the agreement of the Parties that the Developer may phase the Project in such order and at such rate and times as Developer deems appropriate.

B. Completion and Approval.

(i) Following completion of all or a portion of the District Funded Improvements, a Builder shall submit to the City, on behalf of the District, one or more final acceptance packages (each of which shall be a "**Final Acceptance Package**"). The City shall review the Final Acceptance Package pertaining to the District Funded Improvements for completeness and accuracy. Such review shall be completed in a timely fashion and the approval and acceptance of the Final Acceptance Package shall not be unreasonably withheld, conditioned or delayed. Upon approval of a Final Acceptance Package, the City shall issue a "Letter of Completion" for all or a portion of the District Funded Improvements, which shall then be eligible for conveyance by the Builder to the District and concurrent reconveyance by the District to the City as provided in Section 6 of this Agreement or, as applicable, to a Participating Agency.

(ii) The Parties intend that some District Funded Improvements will be conveyed to one or more Participating Agencies. Notwithstanding Section 3.B(i) above, the

Participating Agency may evidence its determination that the applicable District Funded Improvements are acceptable pursuant to the terms and procedures described in the separate agreements entered into between a Builder and the Participating Agency.

C. Conveyance to the District. District Funded Improvements, which are eligible for conveyance to the District as described in Section 3.B above, shall be conveyed by a Builder to the District by one or more bills of sale. All or any portion of District Funded Improvements may be conveyed to the District at any time following the Effective Date, including, but not limited to, times contemporaneous with and prior to issuance of a series of District Bonds. The conveyance of District Funded Improvements by a Builder, the acceptance of such District Funded Improvements by the District, and, the reconveyance by the District to the City or, if applicable, another Participating Agency of such District Funded Improvements, prior to the issuance of a series of District Bonds, shall not affect or otherwise proscribe the Developer's right to receive payment of a Purchase Price due upon the issuance of a series of the District Bonds. Moreover, the conveyance of the District Funded Improvements by a Builder to the District prior to payment-in-full of the Purchase Price shall be made with the expectation of payment-in-full of the Purchase Price to the Developer from the proceeds of said District Bonds or Tax Increment Revenues, pursuant to the terms of the Other Obligations, and such conveyance shall not be construed as a dedication or gift of the District Funded Improvements, or a waiver of payment of the applicable Purchase Price for such District Funded Improvements.

D. Acceptance by District from a Builder. The District shall accept conveyance of District Funded Improvements upon written certification and warranty by the Builder conveying such improvements, as follows:

(i) The applicable District Funded Improvements have been inspected, approved for conveyance to, and will be accepted by (a) the City, as evidenced by the City's issuance of a "Letter of Completion" for the applicable portion of the District Funded Improvements or (b) the Participating Agency, as evidenced by such documentation described in the separate agreements entered into between the Developer and the Participating Agency; and

(ii) The costs of constructing the District Funded Improvements actually have been incurred by the Developer, together with reasonable documentation of those costs.

Notwithstanding any other provision of this Agreement to the contrary, the District may designate the City or a Participating Agency to be conveyed title to District Funded Improvements otherwise eligible for conveyance to the District as described in Section 3.B above and direct a Builder to convey title directly to such governmental entity by one or more bills of sale. The District shall remain obligated to pay the Purchase Price to the Developer for District Funded Improvements directly conveyed to the City or a Participating Agency.

Upon acceptance by and conveyance to the District (or directly to the City or a Participating Agency) from a Builder of all or a portion of the District Funded Improvements, the District shall (to the extent such conveyance does not occur contemporaneous with the issuance of a series of District Bonds in an amount sufficient to fund the Purchase Price for all such improvements) immediately deliver one or more Other Obligations to the Developer memorializing the District's current obligation to pay the Developer the Purchase Price for those improvements, plus interest at a rate authorized by the governing body of the District on the principal amount of the respective Other Obligation, from the Tax Increment Revenues and/or the proceeds of District Bonds. The authorization and issuance of Other Obligations by the District, which memorialize the District's obligation to pay such Purchase Price, shall not be subject to review or approval by the City Council. Issuance of the District Bonds or availability of adequate funds to pay the Other Obligations, shall not be a condition precedent to the District's obligation to accept conveyance of all or any portion of the District Funded Improvements or reconveyance of such improvements by the District to the City as provided in Section 6 of this Agreement or, as applicable, another Participating Agency.

E. No Real Property Conveyed. The District Funded Improvements are personal property and not real property and, accordingly, no indemnity agreement is required pursuant to Section 8(C) of the City Policy Guidelines.

F. Indemnification.

(i) Indemnification Regarding Formation and Operation of District. Pursuant to Section 8(B) of the City Policy Guidelines, the Developer shall indemnify the City, the District and their respective agents and employees and shall hold the City and the District and their respective agents, officers and employees harmless from and against any Claim (as defined below) arising from or out of the formation, operation, administration of the District, the offer and sale of District Bonds, the levying by the District of any property tax or charge and the operation and maintenance of Public Infrastructure owned by the District. To the extent prohibited by applicable law, the Developer's indemnity obligations shall not extend (A) to claims, actions, suits or other proceedings arising from the negligent or intentionally wrongful conduct of the City, the District or their respective agents, officers or employees or (B) beyond the term of this Agreement.

(ii) Procedure for Indemnification Claims. The following provisions shall apply to any Claim (as defined below) subject to indemnification, arising from or out of a suit, action or proceeding filed or instituted by a third party against the City, the District and/or their respective agents, officers and employees (collectively the "**Indemnified Party**") in which indemnification by the Developer is applicable:

(a) The applicable Indemnified Party shall, within thirty (30) days of being notified of such suit, action or proceeding against it, deliver written notice of a Claim to the Developer, and, to the extent that indemnification is required, the Developer will assume investigation and defense of such Claim, including the employment of counsel approved in writing by the Indemnified Party (provided that such approval by the Indemnified Party shall not be unreasonably withheld). The Developer shall be relieved of any obligation to indemnify an Indemnified Party as to a Claim, to the extent that the Indemnified Party fails to deliver timely notice of a Claim and the Developer thereby is prejudiced. The assumption of defense shall constitute an admission by the Developer of its indemnification obligation hereunder with respect to such Claim.

(b) The Indemnified Party will have the right, at its expense, to employ separate counsel and to participate in the investigation and defense of any such Claim. Additionally, if the Indemnified Party is advised in a written opinion of counsel that is also addressed to the Developer that there may be legal defenses available to the Indemnified Party, which are adverse to or in conflict with those available to the Developer, or that the defenses of the Indemnified Party should be handled by separate counsel, the Developer shall not have the right to assume or cause the assumption of the defense of the Indemnified Party, however, the Developer shall be responsible for the reasonable fees and expenses of counsel retained by the Indemnified Party in assuming its own defense, provided such counsel is approved in writing by the Developer (further provided that such approval by the Developer shall not be unreasonably withheld).

(c) The Indemnified Party shall make available to the Developer or its representatives all records and other materials required by them and in the possession or under the control of the Indemnified Party, for the use of the Developer and its representatives in defending any such Claim, and shall in other respects give reasonable cooperation in such defense. The Developer will not be liable for the settlement of any Claim made by an Indemnified Party without the Developer's prior written consent; provided, however, that in the event of a settlement entered into with such consent or of any final judgment for a plaintiff in an Claim, and after all appeals have been taken and final orders or dismissals entered, the Developer will indemnify and hold the Indemnified Party harmless from and against any losses incurred by reason of such settlement of judgment.

(d) The Developer shall not be liable under this Agreement to make any payment in connection with any Claim made against an Indemnified Party to the extent Indemnified Party has otherwise actually received payment (under any insurance policy or otherwise) of the amounts otherwise indemnifiable hereunder. Following payment of a Claim by the Developer, all offsets and insurance proceeds delivered to an Indemnified Party with respect such a Claim, except for payments made pursuant to the City's self-insurance program, shall be paid to the Developer, and any rights to payment associated with such offsets and insurance proceeds, shall be assigned by the Indemnified Party to the Developer.

(e) As used in this Section 3.F the term "**Claim**" shall include, except as otherwise provided above, (i) actual losses, damages, penalties and settlements, as imposed in any judgment, awards or settlement agreement; and (ii) all reasonable costs and expenses, including reasonable attorney's fees, of investigating or defending any demands, claims, suits, actions, causes of action, and proceedings, whether or not ultimately determined to be valid.

4. Financing of District Funded Improvements.

A. Plan of Finance. The District shall utilize all express and implied authority granted by the Act, the City Policy Guidelines, and the Formation Resolution to implement Tax Increment Development Plan and the TIDD Financing Plan and Analysis (the "**Plan of Finance**") included as Section VI of the District's Feasibility Study attached as Exhibit E to this Agreement and hereby incorporated into and made a part of this Agreement (the "**Feasibility Study**"). In doing so, the District may issue District Obligations payable from Tax

Increment Revenues. The City has dedicated to the District the Tax Increment Revenue for repayment of the District Obligations and, together with the District, will pledge, pursuant to the Indenture, such Tax Increment Revenue as security for the District Obligations. Tax Increment Revenue shall be collected and remitted to the District at the first possible time that remittance can be accomplished following the formation of the District, as provided in the Act. Tax Increment Revenues collected or received by the District shall be deemed to be held in trust and shall be deposited by the District with the trustee under an Indenture or Indentures in order for the District to meet its obligations under this Agreement and any District Obligations.

B. Purchase Price for District Funded Improvements.

(i) The cost of constructing all the District Funded Improvements, is currently estimated to be $130,069,515 (in 2014 dollars). Notwithstanding this estimate, the "**Purchase Price**" for District Funded Improvements shall be the Actual Cost (as defined below) of the District Funded Improvements.

(ii) As required by NMSA 1978, § 5-15-20.B (2006) and Section 3(F) of the City Policy Guidelines, prior to the issuance of District Bonds, the Builder(s) shall have contributed at least 20% of the initial cost of District Funded Improvements to be financed with proceeds of the District Bonds, which contribution may be reimbursed from the proceeds of District Bonds and/or Tax Increment Revenues, through the satisfaction of the Other Obligations.

(iii) "**Actual Cost**" means, with respect to District Funded Improvements, an amount equal to the sum of (a) a Builder's actual cost of constructing such District Funded Improvements, including labor, material and equipment costs, (b) a Builder's actual cost of preparing the designs, detailed bid documents, construction plans, specifications and construction contracts for such District Funded Improvements, (c) a Builder's actual cost of environmental evaluations required for such District Funded Improvements, (d) the amount of the fees actually paid by a Builder to governmental agencies in order to obtain permits, licenses or other necessary governmental approvals for such District Funded Improvements including inspection by the City, (e) a Builder's actual cost for professional services directly related to the construction of such District Funded Improvements, including legal, engineering, inspection, construction staking, materials testing and similar professional services, (f) the costs incurred by a Builder for construction management and supervision, and (g) a Builder's actual cost of any insurance required hereby for such District Funded Improvements, provided, however, that no item of cost relating to District Funded Improvements shall be included in more than one category of cost under this definition.

C. Payment of the Purchase Price.

(i) In order to receive the Purchase Price for District Funded Improvements, which are eligible for conveyance to the District as described in Section 3.B above, Developer shall deliver to the District a payment request, in the form attached to the Indenture, for such segment of the District Funded Improvements, together with all necessary attachments and exhibits to be included therewith.

(ii) Upon receipt of a completed payment request (and accompanying documentation) for the applicable District Funded Improvements, the District may conduct a review in order to confirm the Actual Cost of such District Funded Improvements specified in the applicable payment request. The Developer agrees to cooperate with the District in conducting each such review and to provide the District with such additional information and documentation as is reasonably necessary for the District to conclude each such review. If the District elects to conduct such review, the District agrees to conduct such review without unreasonable delay. Upon verification and approval of the Actual Cost of such District Funded Improvements, the District may sign the payment request and the Developer may, without unreasonable delay, submit a requisition request to the trustee to pay the Purchase Price of such District Funded Improvements to Developer pursuant to the requisite Indenture (as defined below).

D. Issuance of District Bonds. Pursuant to and in compliance with the Act, the City Policy Guidelines, the Formation Resolution, the Tax Increment Development Plan, this Agreement, a Bond Resolution (as defined in the Formation Resolution), and the Indenture the District may issue one or more series of District Bonds sufficient to generate net proceeds, which shall be used, among other things, to pay the Purchase Price associated with the District Funded Improvements or satisfy outstanding Other Obligations issued by the District, plus amounts to be used to fund debt service reserves, capitalized interest, credit enhancement, costs of issuance and other costs permitted by the Act and the City Policy Guidelines. The amount, timing and form of issuance of District Bonds shall be determined by the governing body of the District as provided in Section 3(I) of the City Policy Guidelines; however, each Bond Resolution (as defined in the Formation Resolution) shall be subject to review and approval by the City Council to the extent required by Section 3(I) of the City Policy Guidelines. The Bond Resolution shall, in compliance with Section 7(C) of the City Policy Guidelines, provide the following:

(i) The maturities, principal amounts and maximum interest rate on the District Bonds, as well as and other features of the District Bonds required by the Act, the City Policy Guidelines, the Formation Resolution and this Agreement;

(ii) whether the District Bonds shall be publicly offered or privately placed;

(iii) whether the District Bonds will be issued, in whole or in part, in book-entry form;

(iv) whether the District Bonds are subject to prior redemption;

(v) the proposed forms of all material documents to be used in connection with the issuance of the District Bonds;

(vi) that the District Bonds shall have no direct or indirect negative impact on the debt or financing capabilities of the City and shall not impair the payment of outstanding City gross receipts tax obligations as provided in NMSA 1978, § 5-15-23 (2006); and

(vii) that the District Bonds shall state that the owners of the District Bonds shall have no recourse to the taxing power of the City or to any City property, funds or resources, other than Tax Increment Revenue dedicated to the District.

Furthermore, the Feasibility Study attached as Exhibit E to this Agreement, provides estimates regarding the amount and timing of District Bonds, the expected production of Tax Increment Revenues and the relationship to anticipated absorption of developed real property, the sources of gross receipts and property taxes or portions thereof pledged to the repayment of the District Bonds, and whether the District Bonds shall be publicly offered or privately placed.

E. Deposits to and Application of Project Fund. Simultaneously with the initial delivery of the District Bonds or Other Obligations, the District shall cause an Indenture of Trust (the "**Indenture**"), in a form reasonably acceptable to the Developer, to be executed by and between the District as the issuer and the trustee. The Indenture will provide terms (i) for (a) issuance of one or more series of District Bonds, (b) authentication and delivery of the Bonds, and (c) securing the Bonds and (ii) securing one or more series of Other Obligations that are payable from collection of the Tax Increment Revenues and/or District Bonds. Additionally, the Indenture will secure and administer the issuance, registration, transfer, payment disbursement and investment of proceeds of a series of District Bonds issued thereunder and the application of Tax Increment Revenues for payment of such District Bonds, the Other Obligations, and other costs of the District, including, but not limited to administrative and formation costs.

F. Availability of Funds is Condition Precedent to Payment of District Obligations. The obligation of the District to pay the Developer all or a portion of the Purchase Price from the proceeds of District Bonds shall not arise, in addition to any other funding requirements in this Agreement, or under the Formation Resolution, the City Policy Guidelines or the Act, until the District issues District Bonds with proceeds sufficient to fund the Project Fund (as defined in the Indenture) and pay all or a portion of the applicable Purchase Price. The foregoing condition shall not limit the ability of the District, in its sole discretion and as authorized under NMSA 1978, §§ 5-15-12.A (2006), 15.B (2009) and 17.B (2006), to pay from the Tax Increment Revenues, with or without the issuance of the District Bonds, (i) a portion of the costs of the District, including, but not limited to administrative and formation costs, (ii) principal and interest due on Other Obligations issued by the District in its sole power and discretion, and (iii) all or a portion of the Purchase Price associated with the District's acquisition of District Funded Improvements plus interest at a rate authorized by the governing body of the District on the principal amount of the Other Obligations. The City shall have no obligation to pay any portion of the Purchase Price or any other financial obligation of the District in the event the proceeds of the District Obligations or Tax Increment Revenues do not cover the entire cost of the District Funded Improvements, as described in the Plan of Finance.

G. Use of Tax Increment Revenues. The Parties acknowledge that the public benefits to be provided by the Developer pursuant to this Agreement are in consideration and reliance upon assurances that the District will make all Tax Increment Revenues available for financing the payment of the Purchase Price to the Developer for District Funded Improvements, the payment of principal and interest due on Bonds and Other Obligations issued by the District, and reimbursement of costs associated with the formation of the District. As such, the District covenants and agrees that, unless required by law or unless the District has received the prior written consent of the Developer, which consent may be withheld at the Developer's sole and absolute discretion, the District shall not (i) enter into an agreement with a Participating Agency in connection with real property located within the district or for any other purpose, (ii) reimburse a Participating Agency for providing services on the Land; (iii) incur and repay loans, except those specifically contemplated by this Agreement, (iv) fund all or a portion of the construction, operation and maintenance of public improvements installed or financed by a Participating Agency, and (v) or otherwise utilize the Tax Increment Revenues for a purpose not specifically authorized by this Agreement.

H. Required Phasing for Certain District Funded Improvements Upon Dedication of the State Gross Receipts Tax Increment. Upon (i) the agreement of the State Board of Finance, evidenced in compliance with the requirements of NMSA 1978, Section 5-15-15.F (2009), to dedicate at least seventy percent (70%) of the Gross Receipts Tax Increment (as defined in the Formation Resolution) within the District attributable to the imposition of the State Gross Receipts Tax (as defined in NMSA 1978, Section 5-15-3.T (2006)) and (ii) the commencement of distributions (in accordance with NMSA 1978, § 7-1-6.54 (2006)) to the District of the Tax Increment Revenues attributable to the imposition of the State Gross Receipts Tax, the Developer and the City shall negotiate an agreement describing the terms, provisions and requirements associated with the phasing for the construction and installation of certain District Funded Improvements identified in the Tax Increment Development Plan.

5. Operating Tax Levy. The City has authorized the District, pursuant to the Act, the City Policy Guidelines and the Formation Resolution, to impose an operating tax levy not to exceed \$5.00 per \$1,000 of the assessed value of the taxable property within its boundaries, as provided in NMSA 1978, § 5-15-13 (2006).

6. Reconveyance and Operation of District Funded Improvements. The District will reconvey the District Funded Improvements to the City upon the City's issuance of a "Certificate of Completion and Acceptance" or, as applicable, to the Participating Agency upon the issuance of such documentation, if any, described in the separate agreements entered into between a Builder and the Participating Agency. The following general provisions shall govern the conveyance and operation of all District Funded Improvements to the City:

A. The applicable Builder and the District shall convey title to the City which the City deems reasonably necessary, free and clear of all liens, claims and encumbrances (except those non-monetary liens and encumbrances that are required by the City or other public agency or that would not materially interfere with the intended use of the property as reasonably determined by City).

B. Upon the issuance of a "Certificate of Completion and Acceptance," the City shall accept, own, operate and maintain all District Funded Improvements, which are identified for conveyance to the City on the DRB infrastructure list. The District will not fund any operations and maintenance prior to or after the conveyance of improvements. Pre-conveyance operation and maintenance costs, if any, will be funded by the applicable Builder.

7. Further Assurances and Corrective Instruments. The parties to this Agreement will, from time to time, execute, acknowledge and deliver such supplements hereto and such

further instruments as may be reasonably required for the carrying out of the intention of or facilitating the performance of this Agreement.

8. Default: Termination.

A. Defaults. Any failure by any party to perform any material term or provision of this Agreement, which failure continues uncured for a period of thirty (30) days following written notice of such failure from the other party, unless such period is extended by written mutual consent, shall constitute a default under this Agreement. Any notice given pursuant to the preceding sentence shall specify the nature of the alleged failure and, where appropriate, the manner in which said failure may be cured. If the nature of the alleged failure is such that it cannot reasonably be cured within such time period, then the diligent prosecution to completion of the cure thereafter shall be deemed to be a cure within such thirty (30) day period. Upon the occurrence of a default under this Agreement, the non-defaulting party may institute legal proceedings to enforce the terms of this Agreement or, in the event of a material default, terminate this Agreement. If the default is cured, then no default shall exist and the noticing party shall take no further action.

B. Termination by the City or the District. If the City or the District elects to consider terminating this Agreement due to a material default of the Developer, then the City shall give a notice of intent to terminate this Agreement and the matter shall be scheduled for consideration and review by the City Council at a duly noticed and conducted public hearing. The Developer shall have the right to offer written and oral evidence prior to or at the time of said public hearings. If the City Council or the governing body of the District determines that a material default has occurred and is continuing and elects to terminate this Agreement, the City or the District, as applicable, shall send written notice of termination of this Agreement to the Developer by certified mail and this Agreement shall thereby be terminated thirty (30) days thereafter; provided, however, that if the Developer files an action to challenge the termination of this Agreement within such thirty (30) day period, then this Agreement shall remain in full force and effect until a trial court has affirmed the termination of this Agreement and all appeals have been exhausted (or the time for requesting any and all appellate review has expired).

C. Termination by the Developer. If the Developer elects to terminate this agreement due to a material default of the City or the District, then the Developer shall give a notice of termination of this Agreement to the City and the District by certified mail and this Agreement shall thereby be terminated thirty (30) days thereafter; provided, however, that if the City or the District files an action to challenge the termination of this Agreement within such thirty (30) day period, then this Agreement shall remain in full force and effect until a trial court has affirmed the termination of this Agreement and all appeals have been exhausted (or the time for requesting any and all appellate review has expired).

D. Term of Agreement. The term of this Agreement shall commence upon the Effective Date and shall extend to the date on which the District fully implements the Tax Increment Development Plan, including, but not limited to, financing the costs associated with all District Funded Improvements and satisfaction of all District Obligations, unless said term is terminated, modified or extended by mutual, written agreement of the Parties. Following the expiration of the term, this Agreement shall be deemed terminated and of no further force and effect.

9. Other General Provisions.

A. Notice. Notices and other communications hereunder shall be given and deemed delivered on the date personally delivered or duly deposited in the United States Mail, certified, return receipt requested, properly stamped and addressed, to the parties at their addresses listed below:

If to the City:

Via Hand Delivery:

City of Albuquerque, New Mexico
Attn: Gilbert Montano, Deputy Chief Administrative Officer
Office of the Mayor -11th Floor
One Civic Plaza, NW
Albuquerque, New Mexico 87102

Via U.S. Mail:

City of Albuquerque, New Mexico
Attn: Gilbert Montano, Deputy Chief Administrative Officer
Office of the Mayor
P. O. Box 1293
Albuquerque, NM 87103

With a copy to:

Via Hand Delivery:

City of Albuquerque, New Mexico
Attn: Jon Zaman, Director of Council Services
9th Floor, Suite 9087
One Civic Plaza, NW
Albuquerque, New Mexico 87102

Via U.S. Mail:

City of Albuquerque, New Mexico
Jon Zaman, Director of Council Services
P. O. Box 1293
Albuquerque, NM 87103

If to the District:

Via Hand Delivery:

Lower Petroglyphs Tax Increment Development District
Attn: Chairperson, District Board
c/o City of Albuquerque, New Mexico
7th Floor, Room 7057
One Civic Plaza, NW
Albuquerque, New Mexico 87102

Via U.S. Mail:

Lower Petroglyphs Tax Increment Development District
Attn: Chairperson, District Board
c/o City of Albuquerque, New Mexico
P. O. Box 1293
Albuquerque, NM 87103

If to the Developer:

Via Hand Delivery and U.S. Mail:

Western Albuquerque Land Holdings LLC
c/o Garrett Development Corporation
Attn.: Jeff Garrett, President
6991 E. Camelback Road, Suite D-212
Scottsdale, Arizona 85251
Telephone: (480) 970-4005

For purposes of giving formal written notice, including notice of change of address, the addresses are as set forth in this paragraph unless changed by written notice.

B. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Agreement, or any waiver on the part of any party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

C. Severability. If any provision of the Agreement becomes or is found to be illegal or unenforceable for any reason, such provision may be modified to the extent necessary to make this Agreement legal and enforceable. If such provision cannot be so modified, it shall be severed from the Agreement and the remainder of the Agreement shall remain in full force and effect.

D. Entire Agreement. This Agreement contains the entire agreement of the parties and supersedes all other agreements or understandings, oral or written, whether previous to the execution hereof or contemporaneous herewith.

E. Changes to Agreement. Changes to this Agreement are not binding unless made in writing and signed by all the Parties.

F. Sale, Assignment, or Transfer. This Agreement will not be sold, assigned or transferred without the prior written consent of the Parties, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing sentence, the Developer shall have the right to sell, assign, collaterally assign, or transfer this Agreement and any and all rights, duties and obligations hereunder, in whole or in part, without the prior consent of the City or the District to (i) any entity of which the Developer owns a majority interest, (ii) third-parties owning all or a portion of the Developer, (iii) to third-parties owning all or a portion of the Land, (iv) any entity that results from a reorganization of the Developer, and (v) a state or federal financial institution in order for the Developer or a member of the Developer to obtain loan proceeds. The Developer shall, upon consummation of the transaction, deliver notice of the sale, assignment or transfer to the City and the District. Upon the sale, transfer, or assignment of any or all of the Developer's rights under this Agreement, unless otherwise agreed by the Developer and such any successor, assignee, or transferee, the Developer shall be released from its obligations under this Agreement and all of the Developer's obligations pursuant to this Agreement, or other agreements assumed by such successor, assignee, or transferee with respect to the Land, or portion thereof, so transferred, provided that (i) the Developer is not then in default under this Agreement, and (ii) the Developer delivers to the City and the District a copy of a written agreement in which the name and address of the successor, assignee, or transferee is set forth and providing therein that the successor, assignee, or transferee expressly and unconditionally assumes all of the obligations of the Developer under this Agreement with respect to the Land, or a portion thereof, so transferred. Unless otherwise agreed to between the Developer and any successor, assignee, or transferee, all proceeds from the District Obligations and Tax Increment Revenues shall remain payable to the Developer to the extent a Purchase Price is payable to the Developer pursuant to the terms of this Agreement.

G. Recitals. The recitals set forth above are a material part of this Agreement and are incorporated by reference.

H. Governing Law. This Agreement is governed by and is to be construed in accordance with the law of New Mexico.

I. Recording. This Agreement shall be filed for record in the Bernalillo County Clerk's Office, Bernalillo County, New Mexico.

J. Covenants Running with the Land. The provisions of this Agreement constitute covenants running with the Land and are binding upon and inure to the benefit of the parties hereto, their successors and assigns.

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IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its corporate name and the seal of the City affixed and attested by its duly authorized officers; the District has executed this Agreement in its corporate name and attested by its duly authorized officer; and the Developer has executed this Agreement in its respective corporate names and attested by its respective duly authorized officers. All of the above are effective as of May 18, 2015, which is the date of formation of the District.

CITY OF ALBUQUERQUE, NEW MEXICO

By: ____________________________________
Robert J. Perry
Chief Administrative Officer

[SEAL]

ATTEST:

By: ___________________________
Clerk

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

This instrument was acknowledged before me on ________________, 2015, by Robert J. Perry, as Chief Administrative Officer of the City of Albuquerque, a New Mexico municipal corporation.

(SEAL)

____
Notary Public

My Commission Expires:
____

WESTERN ALBUQUERQUE LAND HOLDINGS LLC,
a Delaware limited liability company

By: BARCLAYS CAPITAL REAL ESTATE INC.,
as Servicing Member

By: ______________________________
Name: Mark Wuest
Title: Vice President

STATE OF ______________)
) ss
COUNTY OF _____________)

This instrument was acknowledged before me on _______________, 2015, by Mark Wuest, the Vice President of Barclays Capital Real Estate Inc., a Delaware corporation, the Servicing Member of Western Albuquerque Land Holdings LLC, a Delaware limited liability company.

(SEAL)

____
Notary Public

My Commission Expires:
____

LOWER PETROGLYPHS
TAX INCREMENT DEVELOPMENT DISTRICT

By: ______________________________
Its Chairperson

ATTEST:

By: ______________________
Clerk

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before on ______________, 2015 by ______________________________________, as Chairperson of the Lower Petroglyphs Tax Increment Development District.

(SEAL)

____
Notary Public

My Commission Expires:
____

EXHIBIT A

Legal Descriptions for the Land

EXHIBIT B

Tax Increment Development Plan

EXHIBIT C

Formation Resolution

EXHIBIT D

District Funded Improvements List

EXHIBIT E

Feasibility Study

EXHIBIT 8

CITY of ALBUQUERQUE
TWENTY-FIRST COUNCIL

COUNCIL BILL NO. _______________ ENACTMENT NO. _________________________

SPONSORED BY: Ken Sanchez

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RESOLUTION

DECLARING THE INTENT OF THE CITY COUNCIL OF THE CITY OF ALBUQUERQUE, NEW MEXICO TO CONSIDER FOR ADOPTION A RESOLUTION APPROVING THE FORMATION OF THE LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT; APPROVING, SUBJECT TO FURTHER PROCEEDINGS OF THE CITY COUNCIL, A TAX INCREMENT DEVELOPMENT PLAN FOR THE DISTRICT, THE PURPOSES OF THE DISTRICT, IDENTIFICATION OF GROSS RECEIPTS TAX INCREMENT AND PROPERTY TAX INCREMENT FINANCING MECHANISMS, AND BONDS SECURED BY GROSS RECEIPTS TAX INCREMENT REVENUE AND PROPERTY TAX INCREMENT REVENUE; AUTHORIZING AND DIRECTING THE POSTING, MAILING AND PUBLICATION, IN A NEWSPAPER OF GENERAL CIRCULATION WITHIN THE COUNTY, OF A NOTICE OF PUBLIC MEETING AND HEARING TO BE HELD ON APRIL 6, 2015 TO CONSIDER FOR ADOPTION THE RESOLUTION APPROVING THE FORMATION OF THE DISTRICT.

WHEREAS, the Legislature of the State has enacted the Tax Increment for Development Act, NMSA 1978, §§ 5-15-1 to -28 (2006, as amended) (the "Act"), pursuant to which the governing body of a municipality may adopt a resolution authorizing the formation of a tax increment development district following a public hearing and based upon certain findings required pursuant to NMSA 1978, § 5-15-7 (2006); and

WHEREAS, the City Council of the City of Albuquerque has enacted Sections 4-10-1 to 8 ROA 1994, (the "City Policy Guidelines") establishing policy guidelines and application procedures for tax increment development districts in the City; and

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WHEREAS, pursuant to NMSA 1978, § 5-15-4 (2009), upon filing with the City Clerk an approved tax increment development plan and upon receipt of a petition bearing the signatures of the owners of at least fifty percent (50%) of the real property located within a proposed tax increment development area, the City Council may adopt a resolution declaring its intent to form a tax increment development district; and

WHEREAS, pursuant to NMSA 1978, § 5-15-6 (2009), upon adoption of a resolution indicating an intent to form a tax increment development district, the governing body of a municipality shall set a date no sooner than 30 days and no later than 60 days after the adoption of the resolution for a public hearing regarding the formation of the district; and

WHEREAS, Western Albuquerque Land Holdings LLC, a Delaware limited liability company has, pursuant to the Act and the City Policy Guidelines, submitted to the City of Albuquerque (the “City”) a petition for formation (the “Petition”) of the Lower Petroglyphs Tax Increment Development District (the “District”), together with documents submitted to the City in support of the Petition (the “Application”); and

WHEREAS, the Petition and Application request the formation by the City of the District in order to finance public infrastructure that directly or indirectly benefits or otherwise facilitates development within the approximately 336 acres of land known collectively as the Town Center and the Town Center Village; and

WHEREAS, the Application includes, among other things, (i) a proposed tax increment development plan for the District (the “Tax Increment Development Plan”), including all information required pursuant to NMSA 1978, § 5-15-5 (2006) and Section 5(F) of the City Policy Guidelines, which Tax Increment Development Plan has been filed with the City Clerk, and (ii) a study of the feasibility, the financing and the estimated costs of improvements, services and benefits to result from the formation of the proposed District, and all other applicable information required by NMSA 1978, § 5-15-4 (2009) and Sections 5(E)&(G) and 7(D)&(E) of the City Policy Guidelines (the “Financial Feasibility Study”); and

WHEREAS, the Petition contains the signatures of the owners of one hundred percent (100%) of the real property to be included in the District and

states at those owners waive the right to an election for formation of the District; and

WHEREAS, the Application contains evidence that there is no resident qualified elector or any other person located on the real property to be included in the District; and

WHEREAS, the City Council intends to consider for adoption a resolution ordering the formation of the District as provided by NMSA 1978, § 5-15-4 (2009) and NMSA 1978, § 5-15-7 (2006) and Section 6(H) of the City Policy Guidelines.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ALBUQUERQUE, NEW MEXICO:

Section 1. The Petition and Application are hereby accepted for further proceedings to be held at a public hearing as set forth in Section 6 of this Resolution. The Tax Increment Development Plan is hereby approved for purposes of NMSA 1978, § 5-15-4(A) (2009), subject to further proceedings of the City Council.

Section 2. The area to be included within the District is described in the map of the District included as part of the Tax Increment Development Plan.

Section 3. The purpose for which the District is to be formed is to finance the costs of public improvements, as that term is defined in NMSA 1978, § 5-15-3(R) (2006), in accordance with the Tax Increment Development Plan.

Section 4. The Tax Increment Development Plan has been filed with the City Clerk and includes a map depicting the boundaries of the tax increment development area of the District and real property proposed to be included in that area.

Section 5. As proposed, the District may:

A. impose a tax levy in an amount not to exceed $5.00 per $1,000 of net taxable value of taxable property within the District;

B. determine the amount, timing and form of financing mechanisms necessary to implement the Tax Increment Development Plan, which may include bonds, loans, advances and other indebtedness to be paid from the revenues generated by up to seventy-five percent (75%) of the gross receipts tax increments of each municipal and/or county local option gross receipts tax, state-shared distribution pursuant to NMSA 1978, § 7-1-6.4 (2006), municipal hold

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harmless distribution pursuant to NMSA 1978, § 7-1-6.46 (2013), county hold harmless distribution pursuant to NMSA 1978, § 7-1-6.47 (2013), and/or state gross receipts tax generated within the District, and/or up to seventy-five (75%) of the property tax increment generated within the District; and

C. issue one or more series of revenue bonds secured by up to seventy-five percent (75%) of the gross receipts tax increments of each municipal and/or county local option gross receipts tax, state-shared distribution pursuant to NMSA 1978, § 7-1-6.4 (2006), municipal hold harmless distribution pursuant to NMSA 1978, § 7-1-6.46 (2013), the county hold harmless distribution pursuant to NMSA 1978, § 7-1-6.47 (2013), and/or state gross receipts tax generated within the District, and/or up to seventy-five (75%) of the property tax increment generated within the District.

Section 6. A public hearing for the formation of the District pursuant to the Act is required and shall be held on April 6, 2015 which date is more than 30 days and less than 60 days after the adoption of this Resolution.

Section 7. Pursuant to NMSA 1978, § 5-15-6 (2009), the City Clerk is hereby authorized and directed to cause to be published, in the *Albuquerque Journal*, a newspaper of general circulation within the City in which the proposed District is located, a notice of the public hearing in substantially the following form:

PUBLIC NOTICE

CITY OF ALBUQUERQUE, NEW MEXICO

NOTICE OF MEETING AND PUBLIC HEARING

The City Council of the City of Albuquerque, New Mexico hereby gives notice of its meeting scheduled for Monday, April 6, 2015 at 5:00 p.m. in the City Council Chambers, at One Civic Plaza N.W., Albuquerque, New Mexico, which is the regular meeting place of the City Council. At such meeting the City Council will hold a public hearing concerning the adoption of a resolution relating to the formation of the Lower Petroglyphs Tax Increment Development District (the "District") pursuant to the Tax Increment for Development Act, NMSA 1978, §§ 5-15-1 to -28 (2006, as amended). The City Council may consider and take other necessary action relating to the formation of the District and other business

which may come before the Council. The title of the proposed resolution is as follows:

APPROVING THE PETITION OF WESTERN ALBUQUERQUE LAND HOLDINGS LLC FOR FORMATION OF THE LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT PURUSANT TO THE TAX INCREMENT FOR DEVELOPMENT ACT, NMSA 1978, §§ 5-15-1 TO -28 (2006, AS AMENDED) AND SECTIONS 4-10-1 TO 8 ROA 1994; MAKING FINDINGS IN CONNECTION WITH THE PETITION AND SUPPORTING DOCUMENTATION REQUESTING APPROVAL OF THE FORMATION OF THE DISTRICT; DETERMINING THE REAL PROPERTY TO BE INCLUDED WITHIN THE DISTRICT AND THE PURPOSE FOR WHICH THE DISTRICT IS BEING FORMED; APPROVING THE APPLICATION, PETITION, FINANCIAL FEASIBILITY STUDY AND DEVELOPMENT AGREEMENT FOR IMPLEMENTATION OF THE DISTRICT; RATIFYING THE TAX INCREMENT DEVELOPMENT PLAN APPROVED FOR CONSIDERATION IN CONNECTION WITH THE FORMATION OF THE DISTRICT; DEDICATING UP TO SEVENTY-FIVE PERCENT (75%) OF THE GROSS RECEIPTS TAX INCREMENT REVENUE AND UP TO SEVENTY-FIVE PERCENT (75%) OF THE PROPERTY TAX INCREMENT REVENUE FOR THE FINANCING OF PUBLIC INFRASTRUCTURE FOR THE DISTRICT AS PROVIDED IN THE DEVELOPMENT AGREEMENT; ESTABLISHING PARAMETERS FOR THE ISSUANCE OF DISTRICT BONDS; PROVIDING FOR GOVERNANCE OF THE DISTRICT THROUGH THE APPOINTMENT OF MEMBERS OF THE GOVERNING BODY OF THE DISTRICT; PROVIDING THAT BONDS OF THE DISTRICT AND OTHER OBLIGATIONS OF THE DISTRICT SHALL NOT BE OBLIGATIONS OF THE CITY OF ALBUQUERQUE; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTIONS INCONSISTENT WITH THIS RESOLUTION.

A summary of the subject matter of the Resolution is contained in its title. Complete copies of the proposed resolution are on file in the Office of the City Clerk at 600 2nd NW, Albuquerque, New Mexico 87102 and are available for inspection during regular office hours.

The formation of the District is proposed and will be considered by the City Council at the above-referenced meeting, which will be open to the public. Persons wishing to object or comment on the proposed resolution and the

matters within its scope may provide objections or comments in person at the meeting or may provide objections or comments in writing, to the City Clerk at the address stated above, and actually received by the City Clerk at least one business day before the date of the meeting.

The map below depicts the geographical boundaries of the area proposed for inclusion in the District:

[INSERT MAP OF THE DISTRICT]

A tax increment development plan for District is on file with the City Clerk at the address stated above and may be reviewed upon request.

A copy of the application requesting the formation of the District by the City is on file in the office of the City Clerk at the address stated above and available for inspection during regular office hours and is also available electronically on the City's website at http://www.cabq.gov/.

This Notice constitutes compliance with NMSA 1978, § 5-15-6 (2009).

Section 8. The City Clerk shall cause notice of the public hearing, as set forth in Section 7 above, to be published once each week for two consecutive weeks in the *Albuquerque Journal.* The City Clerk shall obtain an affidavit from Albuquerque Journal after each publication is made and shall cause the affidavits to be placed in the official records of the City.

Section 9. The notice of the public hearing shall also be posted by the City in a prominent location on property located within the proposed District for fourteen days prior to the hearing.

Section 10. No later than ten days prior to the public hearing, the City Clerk shall provide written notice of the public hearing via registered or certified United States mail, postage prepaid to:

A. all owners of real property within the proposed District;

B. all persons claiming an interest in the real property within the proposed District who have filed a written request for a copy of the notice within the six months preceding or at any time following the adoption of this Resolution; and

C. the secretary of taxation and revenue, the secretary of finance and administration and the director of the legislative finance committee

Section 11. If the City Clerk is informed of a transfer of ownership of real property within the proposed District and obtains the name and address of the current property owner, the City Clerk shall mail a copy of the notice of the public hearing, inclusive of the summary of the resolution, as soon as practicable after learning of the transfer.

Section 12. Within ten days following the date of adoption of this Resolution, the City shall:

A. notify the secretary of taxation and revenue, the secretary of finance and administration and the director of the legislative finance committee of the governing body's action and such notice shall include a copy of this Resolution; and

B. cause the Application and resolution materials, including fiscal and economic studies, to be made available electronically to the public.

Section 13. The formation of the District may result in the use of gross receipts tax increments and property tax increments to pay costs associated with the construction of public improvements, as that term is defined in NMSA 1978, § 5-15-3(R) (2006).

PASSED AND ADOPTED this 2nd day of March, 2015.

[+Bracketed/Underscored Material+] - New
[-~~Bracketed/Strikethrough Material~~-] - Deletion

EXHIBIT 9

CITY of ALBUQUERQUE
TWENTY-FIRST COUNCIL

COUNCIL BILL NO. _______________ ENACTMENT NO. _________________________

SPONSORED BY: Ken Sanchez

RESOLUTION

APPROVING THE PETITION OF WESTERN ALBUQUERQUE LAND HOLDINGS LLC FOR FORMATION OF THE LOWER PETROGLYPHS TAX INCREMENT DEVELOPMENT DISTRICT PURUSANT TO THE TAX INCREMENT FOR DEVELOPMENT ACT, NMSA 1978, §§ 5-15-1 TO -28 (2006, AS AMENDED) AND SECTIONS 4-10-1 TO 8 ROA 1994; MAKING FINDINGS IN CONNECTION WITH THE PETITION AND SUPPORTING DOCUMENTATION REQUESTING APPROVAL OF THE FORMATION OF THE DISTRICT; DETERMINING THE REAL PROPERTY TO BE INCLUDED WITHIN THE DISTRICT AND THE PURPOSE FOR WHICH THE DISTRICT IS BEING FORMED; APPROVING THE APPLICATION, PETITION, FINANCIAL FEASIBILITY STUDY AND DEVELOPMENT AGREEMENT FOR IMPLEMENTATION OF THE DISTRICT; RATIFYING THE TAX INCREMENT DEVELOPMENT PLAN APPROVED FOR CONSIDERATION IN CONNECTION WITH THE FORMATION OF THE DISTRICT; DEDICATING UP TO SEVENTY-FIVE PERCENT (75%) OF THE GROSS RECEIPTS TAX INCREMENT REVENUE AND UP TO SEVENTY-FIVE PERCENT (75%) OF THE PROPERTY TAX INCREMENT REVENUE FOR THE FINANCING OF PUBLIC INFRASTRUCTURE FOR THE DISTRICT AS PROVIDED IN THE DEVELOPMENT AGREEMENT; ESTABLISHING PARAMETERS FOR THE ISSUANCE OF DISTRICT BONDS; PROVIDING FOR GOVERNANCE OF THE DISTRICT THROUGH THE APPOINTMENT OF MEMBERS OF THE GOVERNING BODY OF THE DISTRICT; PROVIDING THAT BONDS OF THE DISTRICT AND OTHER OBLIGATIONS OF THE DISTRICT SHALL NOT BE OBLIGATIONS OF THE CITY OF ALBUQUERQUE; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTIONS INCONSISTENT WITH THIS RESOLUTION.

Capitalized terms used in the recitals below and not defined therein shall have the meanings ascribed to such terms in Section 1 hereof.

WHEREAS, the Act provides in part that the owners of real property may petition the governing body of the municipality in which the real property is located for the formation of a tax increment development district to provide gross receipts tax increment financing and property tax increment financing for public infrastructure in order to support economic development and job creation; that the governing body shall hold a hearing to determine whether a tax increment development district should be formed; and, upon determination that formation of a tax increment development district is in the interest of the property owner and the citizens of the governing body's jurisdiction, shall order that the tax increment development district be formed; and that an election for the formation of the tax increment development district by owners of real property and residents qualified within the tax increment development district may be waived and the tax increment development district formed if the petition was submitted by the owner(s) of 100% of the real property proposed to be included within the tax increment development district; and

WHEREAS, the Applicant has submitted to the City a Petition and Application for the formation of the District, which meets all qualifications of the Act and the City Policy Guidelines, and includes, without limitation, a Tax Increment Development Plan, a map depicting the boundaries of the District, a Financial Feasibility Study, and a proposed Development Agreement; and

WHEREAS, pursuant to the Application, the purpose of the District is to finance the cost of on-site improvements and off-site public improvements that directly or indirectly benefit or otherwise facilitate development within approximately 336 acres of land known collectively as the Town Center and the Town Center Village; and

WHEREAS, the Applicant estimates that the initial cost of the TIDD Infrastructure Improvements, in 2014 dollars, is $130,069,507; and

WHEREAS, NMSA 1978, § 5-15-4(A) (2009) authorizes owners, tax increment development districts, and municipalities to enter into development agreements to establish the obligations of the owner or developer, the

municipality and the tax increment development district concerning, among other things, matters relating to the development of the Real Property; and

WHEREAS, the City Policy Guidelines established policy guidelines and application procedures for the formation of tax increment development districts within the City; and

WHEREAS, the Applicant has presented a Petition for formation of the District, and the following documents in support of the Petition, which documents collectively constitute the Application:

(i) a description and boundary map of the proposed District, including a legal description of the District boundaries, identity and addresses of all persons or entities with any interest in the Real Property, including an analysis of the appropriateness of the District boundaries;

(ii) evidence of the unanimous consent of owners of the Real Property and a current title report for the Real Property as evidence that there are no resident qualified electors or any other persons located on the Real Property;

(iii) a detailed description of the TIDD Infrastructure Improvements to be financed by the District, including the estimated construction or acquisition costs, projection of working capital needs, including adequate funds for repair and replacement of infrastructure, annual operation and maintenance costs of the TIDD Infrastructure Improvements and the required governmental approvals and licenses;

(iv) a proposed schedule for commencement and completion of the TIDD Infrastructure Improvements and the Additional Improvements;

(v) the Tax Increment Development Plan setting forth the information required by the City Policy Guidelines and the Act, which has been approved by the City Council pursuant to NMSA 1978, § 5-15-4(A) (2009) and is on file with the Clerk, and subject to further proceedings and additional necessary approvals of the City Council concerning the formation of the District;

(vi) a Financial Feasibility Study setting forth information required by the Act and the City Policy Guidelines;

(vii) a description of the Applicant's equity contribution toward the initial costs of public improvements to serve the Real Property, and the timing and sources of the contribution;

(viii) a description of Applicant's development experience and financial ability to complete the TIDD Infrastructure Improvements and the Additional Improvements;

(ix) an operating plan for the District;

(x) a description of how the District meets the City's existing development objectives;

(xi) a proposed Development Agreement to be entered into by the Applicant, the City, and the District; and

(xii) proposed forms of the Intent Resolution and the Formation Resolution; and

WHEREAS, pursuant to the Development Agreement, the TIDD Infrastructure Improvements, to the extent such TIDD Infrastructure Improvements are not dedicated and conveyed to another governmental entity, are to be designed and constructed according to all applicable City standards, and therefore suitable for conveyance to the City upon completion, and shall be acquired by the District and then dedicated to, owned and operated by the City; and

WHEREAS, the Application proposes that the costs of the TIDD Infrastructure Improvements will be financed from the proceeds of Bonds and Other Obligations incurred or issued by the District and payable from the Gross Receipts Tax Increment and/or Property Tax Increment revenues generated within the District, and the City will have no responsibility for construction of the TIDD Infrastructure Improvements or payment of the Bonds and Other Obligations; and

WHEREAS, pursuant to NMSA 1978, § 5-15-15 (2009) and NMSA 1978, § 5-15-17 (2006), the Applicant requested in its Application the dedication by the City of the revenues generated by up to seventy five percent (75%) of the gross receipts tax increment of each municipal local option gross receipts tax, state-shared distribution pursuant to NMSA 1978, § 7-1-6.4 (2006), and municipal hold harmless distribution pursuant to NMSA 1978, § 7-1-6.46 (2013) generated within the District and up to 75% of the property tax increment revenues generated within the District; and

WHEREAS, the Applicant certifies that it owns or controls 100% of the Real Property, and that no qualified electors reside on the Real Property and that,

consequently, no formation election is required pursuant to NMSA 1978, § 5-15-8(B) (2006); and

WHEREAS, the City Council has considered the Petition and Application and related submittals by the Applicant, has conducted a public hearing as provided by NMSA 1978, § 5-15-6 (2009) and NMSA 1978, § 5-15-7 (2006), and has determined that the formation of the District is consistent with the City Policy Guidelines and promotes the interests, convenience or necessity of the owners and residents of the District and citizens of the City.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL, THE GOVERNING BODY OF THE CITY OF ALBUQUERQUE:

Section 1. Defined Terms. As used in this Formation Resolution and the recitals above, the following terms shall have the meanings specified, unless the context clearly requires otherwise (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Act" means the Tax Increment for Development Act, NMSA 1978, §§ 5-15-1 to -28 (2006, as amended).

"Additional Improvements" means on-site and off-site infrastructure improvements, other than the TIDD Infrastructure Improvements, which are to be constructed and financed through sources other than the District, as described in the Tax Increment Development Plan.

"Applicant" means Western Albuquerque Land Holdings LLC, a Delaware limited liability company.

"Application" means the documents submitted by the Applicant to the City in support of the Petition pursuant to the Act and the City Policy Guidelines.

"Bond Resolution" means a resolution authorizing issuance of Bonds for the purpose of financing TIDD Infrastructure Improvements and other eligible costs and containing certain provisions set forth in Section 6 of this Formation Resolution.

"Bonds" means bonds issued by the District in accordance with the TIDD Legislation and secured by 75% of the Gross Receipts Tax Increment revenues generated within the District from all or a portion of the gross receipts taxes identified in Section 7 herein, and 75% of all Property Tax Increment revenues generated within the District.

"City" means the City of Albuquerque, New Mexico.

"City Council" means the governing body of the City.

"City Policy Guidelines" means Sections 4-10-1 to 8 ROA 1994.

"Clerk" means the City Clerk.

"Development Agreement" means the infrastructure acquisition and development agreement to be entered into by and between the Applicant, the District and the City in accordance with Section 6(I) of the City Policy Guidelines.

"District" means the Lower Petroglyphs Tax Increment Development District.

"District Boundary Map" means the map attached as Exhibit 1 to the Tax Increment Development Plan.

"District Obligations" means the Bonds and the Other Obligations payable from the Gross Receipts Tax Increment and/or Property Tax Increment revenues generated within the District.

"Expenses" means the City's costs of reviewing the Petition, Application and other documentation related to the Application, including legal fees.

"Financial Feasibility Study" means the study of the feasibility, the financing and the estimated costs of improvements, services and benefits to result from the formation of the proposed District submitted by the Applicant in connection with its Petition and Application.

"Formation Documents" means the Application and such other documents as are required by the Act and the City Policy Guidelines to be submitted by the Applicant in connection with the Petition.

"Formation Resolution" means this resolution adopted by the City in connection with its approval of the formation of the District.

"Gross Receipts Tax Increment" has the meaning assigned in NMSA 1978, Section 5-15-3.H (2006).

"Home Rule Powers" means the powers of the City as a home rule city to exercise legislative powers given pursuant to the City Charter adopted by the City pursuant to Article X, Section 6 of the State Constitution and all enactments of the Council relating to the formation of the District and the issuance of the District Obligations.

“Intent Resolution” means City Council Bill No. F/S R-15-___, Enactment No. R-2015-___, adopted on March 2, 2015, which declared the City’s intent to form the District.

“Petition” means the petition for formation of District submitted to the City pursuant to the Act and the City Policy Guidelines, which contains the signature of the owner of one hundred percent (100%) of the Real Property and states that the owner waives its right to an election for formation of the District.

“Property Tax Increment” has the meaning assigned in NMSA 1978, Section 5-15-3.P (2006).

“Real Property” means all of the real property located within the boundaries of the District, described in the District Boundary Map.

“State” means the State of New Mexico.

“Other Obligations” means loans, advances and other indebtedness incurred or issued by the District in accordance with the TIDD Legislation and secured by 75% of the Gross Receipts Tax Increment revenues generated within the District from all or a portion of the gross receipts taxes identified in Section 7 herein, and/or 75% of all Property Tax Increment revenues generated within the District.

“Tax Increment Development Plan” means the plan for the undertaking of a tax increment development project in the District, as required by the City Policy Guidelines and NMSA 1978, § 5-15-5 (2006).

“Tax Increment Development Project” has the meaning assigned in NMSA 1978, Section 5-15-3.Y (2006)

“TIDD Infrastructure Improvements” mean the public improvements described and in the approximate locations shown in the Tax Increment Development Plan, which, as authorized in the Act and the City Policy Guidelines, may be financed from the proceeds of the District Obligations.

“TIDD Legislation” means, collectively, the Act, the Home Rule Powers of the City and all enactments of the City Council of the City of Albuquerque, including the City Policy Guidelines and this Formation Resolution.

Section 2. <u>Construction of Formation Resolution</u>. Except as otherwise expressly provided in this Formation Resolution, or unless the context otherwise requires:

A. The singular includes the plural and the plural includes the singular.

B. All accounting terms not otherwise defined in this Formation Resolution have the meanings assigned to them in accordance with generally accepted accounting principles in the United States.

C. All references to Sections shall refer to Sections of this Formation Resolution, unless otherwise stated.

D. Words importing any gender include the other gender.

E. "Herein," "hereby," "hereunder," "hereof," "hereinbefore" and "hereafter" refer to this Formation Resolution and not solely to the particular portion of this Formation Resolution in which such word is used.

F. All times will be local time in the City unless otherwise designated in this Formation Resolution.

Section 3. Findings. The City hereby declares that it has considered the Petition and Application, and all other relevant information and data, and hereby makes the following findings:

A. The Applicant owns 100% of the Real Property and no resident qualified elector or any other person is located on the Real Property.

B. The Real Property is not located in an unserved area, reserve area, or rural area, as those terms are defined in the City Policy Guidelines.

C. As planned and proposed by the Applicant, the TIDD Infrastructure Improvements will be constructed to City specifications, and will be subject to inspection, approval and acceptance by the City prior to dedication to the City.

D. Bonds and Other Obligations proposed to be issued or incurred by the District will be the obligations solely of the District, and will not be backed by the faith, credit, general funds or resources of the City in any manner, and will not impair any outstanding obligations of the City.

E. The Tax Increment Development Plan reasonably protects the interests of the City in meeting its goals to support:

(i) job creation; and

(ii) workforce housing;

(iii) public school facility creation and improvement,

including the creation and improvement of facilities for charter schools; and

(iv) underdeveloped area or historical area redevelopment.

F. The Tax Increment Development Plan demonstrates elements of innovative planning techniques, including mixed-use transit-oriented development, traditional neighborhood design or sustainable development techniques that are deemed by the City Council to benefit community development.

G. The Tax Increment Development Plan incorporates sustainable development considerations.

H. The Tax Increment Development Plan conforms to the general or long-term planning of the City.

I. The financing of the TIDD Infrastructure Improvements is feasible and, based upon the Financial Feasibility Study, will not impose an undue burden on the future owners of the Real Property or other land served by the TIDD Infrastructure Improvements.

J. The financing of the TIDD Infrastructure Improvements will enable District to finance or acquire those improvements in a cost-effective manner.

K. The District is planned and will be implemented in a manner which provides for the Expenses to be paid by the District and the application fee and advance deposit delivered to the City by the Applicant.

L. The formation of the District and the issuance or incurrence of District Obligations, subject to the requirements and limitations specified in this Formation Resolution, are consistent with the requirements of the Act and the City Policy Guidelines.

Section 4. <u>Waiver of Owner Election; No Resident Qualified Electors</u>. Based on the information provided by the Applicant in the Application, the Petition has been signed by the owner of 100% of the Real Property and no resident qualified elector or any other person is located on the Real Property, and on that basis:

A. the City waives the requirements for an owner election concerning the formation of the District, as authorized by NMSA 1978, § 5-15-8(B) (2006); and

B. **there shall be no election concerning the formation of the District among a resident qualified electors as prescribed by NMSA 1978, § 5-15-8 (L) (2006).**

Section 5. <u>Approval of Formation Documents; Formation of the District; Development Agreement</u>.

A. ***Approval of Petition*. The Petition is hereby accepted and approved.**

B. ***Approval of Lower Petroglyphs Tax Increment Development District pursuant to the Tax Increment Development Plan*. The Lower Petroglyphs Tax Increment Development District is hereby ordered, approved and formed to implement the Tax Increment Development Plan.**

(i) **The Tax Increment Development Plan, previously approved for purposes of NMSA 1978, § 5-15-4(A) (2009) and subject to further proceedings of and necessary approvals by the City, is hereby ratified and approved for all purposes under the TIDD Legislation. The District shall include the Real Property as shown in the District Boundary Map attached as Exhibit 1 to the Tax Increment Development Plan and incorporated by reference in this Formation Resolution.**

(ii) **In addition to other express or implied authority granted by the Act and the Home Rule Powers, the District shall have the powers necessary and convenient to finance and/or purchase the TIDD Infrastructure Improvements as provided in the Tax Increment Development Plan, Financial Feasibility Study and Development Agreement, as those documents may be amended or modified with the approval of the City. The Applicant, the District, and the City shall be bound by the terms thereof.**

C. ***Purpose of the District*. The purpose of the District shall be to provide financing of the TIDD Infrastructure Improvements.**

D. ***District to be self-supporting*. The District shall be self-supporting, as provided in Section 3(H) of the City Policy Guidelines.**

E. ***Compliance with City Policies*. The District shall comply with existing City policies for development, growth management and conservation, as provided in Section 3(K) of the City Policy Guidelines.**

F. *Tax Increment Financing Requirements*. The proposed financing of TIDD Infrastructure Improvements described in the Tax Increment Development Plan and Financial Feasibility Study meets the applicable requirements of Section 3 of the City Policy Guidelines.

G. *Additional Documents*. The officers, agents and employees of the City are hereby authorized and empowered to take all actions necessary and to execute and deliver all documents relating to or requested by the District to carry out and comply with the provisions of the Formation Documents.

H. *Development Agreement*. The Development Agreement shall be presented to the City Council for review and approval on or about the forty-fifth (45th) day following the date of adoption of this Formation Resolution. The District shall be a party to the Development Agreement as approved by the City Council and shall be bound to the obligations set forth therein.

I. *District Governing Body Initial Meeting*. The governing body of the District shall hold a public meeting on or about the sixtieth (60th) day following the date of adoption of this Formation Resolution. At that meeting, the governing body shall adopt an open meetings policy and by-laws for the District and shall take such other action, toward or in connection with the financing of TIDD Infrastructure Improvements by the District, as authorized by this Formation Resolution.

Section 6. <u>Authorization of Bonds</u>. The District may issue Bonds pursuant to Bond Resolutions in the amounts and subject to the requirements and limitations set forth in this Formation Resolution.

A. Each Bond Resolution shall be subject to review and approval by the City Council to the extent required by Section 3(I) of the City Policy Guidelines.

B. Each Bond Resolution shall include, at minimum, the following provisions stated below for the protection of owners of the Bonds:

(i) *Reasonably Required Reserve Fund*. Each Bond Resolution shall, as prescribed by Section 8(A) of the City Policy Guidelines, provide for the establishment of a debt service reserve fund in an amount acceptable to the governing body of the District.

(ii) *Public or Private Offering; Minimum Denomination*.

Each Bond Resolution shall provide that the Bonds shall be sold pursuant to a public offering or a private placement and issued in such denominations as determined by the governing body of the District.

(iii) *Minimum and Maximum Maturity*. The minimum maturity of Bonds shall be at least one day. The final maturity date for Bonds shall not be more than 25 years after the date of issuance of the first series of tax increment bonds by the District.

(iv) *Appointment of Trustee*. Each Bond Resolution shall include provisions for appointment of a trustee pursuant to an indenture of trust or other similar instrument.

C. Each Bond Resolution shall provide that the issuance of Bonds, and the dedication of tax increment toward repayment of Bonds, will not impair any outstanding obligations of the City.

D. The issuance of Bonds by the District shall also be subject to the following additional limitations and requirements:

(i) The Bonds shall bear interest at rates not to exceed 12% per annum.

(ii) The maximum aggregate principal amount of Bonds issued shall not exceed, as applicable, 100% of the cost of the public improvements serving the District, as determined at the time a series of Bonds is issued.

(iii) As required by the Act and the City Policy Guidelines, prior to the issuance of Bonds, the Applicant or its designee shall have contributed at least 20% of the initial cost of the TIDD Infrastructure Improvements serving the District, which contribution may be reimbursed from the proceeds of Bonds as permitted by the Act.

Section 7. <u>Dedication of Gross Receipts Tax and Property Tax Increments; Tax Increment to Secure District Obligations</u>.

A. Pursuant to NMSA 1978, § 5-15-15 (2009), the City will dedicate 75% of the Gross Receipts Tax Increment revenues generated within the District from all or a portion of the following gross receipts tax revenues distributed to the City and the municipal local option gross receipts tax rate increments imposed by the City:

Description	Authority for Distributions and Local Option GRT	GRT Rates	GRT Rates Dedicated to District
State Shared Distribution	NMSA 1978, §7-1-6.4 (2006)	1.2250%	1.2250%
Hold Harmless Distribution	NMSA 1978, §7-1-6.46	The sum of all distributions, as reduced in accordance with NMSA 1978, §7-1-6.46(B)	0.00%
Municipal Local Option			
Municipal Infrastructure	Sections 4-3-5-1 to 4 ROA 1994	0.0625%	0.0625%
Public Safety	Sections 4-3-8-1 to 7 ROA 1994	0.2500%	0.00%
Transportation	Sections 4-3-7-1 to 7 ROA 1994	0.2500%	0.00%
General Purpose	Sections 4-3-1-1 to 3 and 4-3-2-1 to 3 ROA 1994	0.5000%	0.5000%
Subtotal			0.5625%
Total City			1.7875%

B. Pursuant to NMSA 1978, § 5-15-17 (2006), the City will dedicate 75% of all Property Tax Increment revenues generated within the District.

C. Pursuant to NMSA 1978, § 5-15-15(E) (2009) and NMSA 1978, § 5-15-17(H) (2006), the Gross Receipts Tax Increment revenues and Property Tax Increment revenues generated within the District may be dedicated for the purpose of securing Bonds. The District may also authorize the issuance or incurrence of Other Obligations to be secured by the Gross Receipts Tax Increment and the Property Tax Increment revenues generated within the District.

Section 8. <u>TIDD Governance</u>.

The District's governing body shall be composed of the following five members: (i) ______________, (ii) ______________, (iii) ______________, (iv) ______________, and (v) ______________, who is the designee of the Secretary of the Department of Finance and Administration with full voting privileges.

A. ______________, ______________ and ______________ shall serve 6-year terms.

B. ______________ and ______________ shall serve 4-year terms.

C. Pursuant to NMSA 1978, § 5-15-11(B) (2006), the District's governing body shall appoint the clerk and treasurer for the District.

D. At the end of the appointed directors' initial terms, the District shall hold an election of new directors by majority vote of owners and qualified resident electors in accordance with the TIDD Legislation.

Section 9. Mail and Record Notices of Formation. The City shall cause:

A. delivery of a copy of this Formation Resolution to each of the persons and entities identified in NMSA 1978, § 5-15-9(A) (2009);

B. delivery of the notices described in NMSA 1978, § 5-15-15(G) (2009) and NMSA 1978, § 5-15-17(F) (2006); and

C. recording of a notice described in NMSA 1978, § 5-15-9(B) (2009) in the records of the Bernalillo County Clerk.

Section 10. Amendments. This Formation Resolution may be amended or supplemented by ordinance or resolution adopted by the City Council in accordance with the laws of the City and the State.

Section 11. Repealer. All ordinances or resolutions, or parts thereof in conflict with the provisions of this Formation Resolution, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any ordinance or resolution, or part thereof, heretofore repealed.

Section 12. Severability. If any section, paragraph, clause or provision of this Formation Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall in no manner affect any remaining provisions of this Formation Resolution.

PASSED AND ADOPTED this 6th day of April, 2015.