

BOARD OF REGENTS  
BRIEFING PAPER

1. **Agenda Item Title:** Request for approval of a Purchase Agreement on Behalf of UNLV for a building located at 1325 E. Flamingo
- Meeting Date:** March 6-7, 2014

**2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

UNLV requests permission to purchase a property in the Midtown area which has 4.19 acres and 66.2 K gsf of occupiable warehouse space on it.

UNLV has limited space available for programs that require high ceiling type space. Grant Hall, which currently houses the visual arts program is in need of replacement and has been on UNLV's capital list for a long time. The estimated cost to build a new facility to replace Grant Hall is approximately \$75 million. It is feasible to replace Grant Hall with a renovation of an existing warehouse facility which would be well suited to a visual arts program. This type of space tends to need to be able to have basic space that can support messy activities. Grant Hall opened in 1958 and contains 37,125 gsf for laboratories, classrooms and some faculty offices for the art department. A student art gallery and a small theater are located on the first floor. In addition, there are other programs, such as in engineering, which have research needs that also require high ceiling type space (UNLV has developed a draft of near and longer term uses for the property which is noted below.)

UNLV, with concurrence of the Chancellor, has entered into a Letter of Intent, a copy of which is attached (LOI), to purchase the property (Property) located at 1325 E. Flamingo (on the south side of Flamingo and to the west of the Clark County Library – see attached aerial for location). The owner of this Property, JO & Sons Limited Partnership, has filed petition for protection under Chapter 11 of the Bankruptcy Code. Pursuant to the LOI, UNLV has offered to purchase the property for \$4 million, which is based on the expectation that the property will appraise at or above that amount. The transaction will be subject to the approval of the United States Bankruptcy Court which, in its discretion, may accept overbids and approve a sale to an over-bidder at a higher amount.

A description of the property follows:

- 4.19 acres of land
- Building space of 66.2 K gsf which is a 1 story, high ceiling warehouse facility with retail type uses and construction
- Facility constructed in 1971; building is a composite of tilt-up concrete, masonry, and column and beam construction, apparently developed in several phases
- The building was last sold in February 2004 for \$6.85 million

The current leases in the building are (represented on attached aerial image):

- 99 Cents Store
  - 99 Cents Store occupies 22,360 gsf for a current monthly lease payment of \$18,819 or an annual lease amount of \$225,828. The current 99 Cents Store lease extension

expires in 2015 with three options for five-year renewals at the tenant's discretion or a total of 16 years (2030). The following table presents the annual lease payments for the current lease extension period compared with the future lease extension periods.

Extension Period	Annual Lease Amount	Percent Increase of Prior Extension Period
2nd (Current)	\$225,828 (or 10.10 per gsf)	
3rd (Begins in 2015)	\$237,012 (or 10.60 per gsf)	5.0%
4th (Begins in 2020)	\$248,196 (or 11.10 per gsf)	4.7%
5th (begins in 2025)	\$259,380 (or 11.60 per gsf)	4.5%

- The current lease with the 99 cents store is a triple net lease requiring the 99 cents store to pay all their utilities, common area costs, operations and maintenance costs, including repairs and alterations.
- Crown Castle International Group
  - Lease to Crown Castle International Group through June 30, 2048 for 875 gsf for a cell tower on the south side of the property.
  - The month lease payment for this cell tower cite is \$3,715.95 or which represents an annual lease amount of \$44,591.40.

Both of the annual income streams above (totaling \$270,419.40) can be used to offset the costs associated with annual maintenance of the net useable space by the university.

Near Term potential uses (with improvements as needed and feasible)

Note: The projected short term uses would be focused on those that are consistent with the existing code/uses for the building, and which likely would include storage and some lower density uses that might include lower intensive research activities. The listing below has some additional options we have considered.

- Storage
- Engineering high ceiling research with low intensity building services needs and low occupant counts.
- High ceiling Fine Arts type uses with low intensity building services needs and low occupant counts (i.e. set building, entertainment engineering, painting and drawing with specific improvements, graduate art studios, visiting faculty art studios)
- Low density and low occupant count swing space with low intensity building services needs

Longer Term potential uses (this assuming renovation and/or partial replacement of the existing building and related site/other improvements):

- Engineering High Bay and Research
- Fine Arts Visual Arts Facilities (performing arts to largely remain near performance facilities complex)
- Performing Arts Practice Space (i.e. vacate this use from MPE and have closer to the campus)

Fine Arts complex)

- Certain Campus Administrative Services

Initial Occupancy Considerations:

The building currently has a sprinkler and fire alarm system, although its condition has not been assessed. As several parts of the building are currently occupied, it is assumed that these systems largely meet State and Clark County requirements. Some of the major items to look at for UNLV near term occupancy, assuming storage or low density uses, include accessibility/ADA compliance, restroom fixture counts, and any immediate facilities maintenance type items to get systems in a reasonable condition upfront (i.e. equipment wear items, addressing any localized roof leak issues, site drainage and related items for reasonable use, etc.).

**3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

UNLV President Donald Snyder requests approval of the purchase, on the terms and conditions outlined in the Letter of Intent, of the property located at 1325 E. Flamingo (Property) and requests that the Chancellor be authorized to finalize, approve and execute the Purchase and Sale Agreement to the extent it is consistent with the LOI and to give final approval to any due diligence, including but not limited to the appraisal, physical inspection of the Property, Phase I ESA, and ALTA Survey with respect to the Property. UNLV also requests that the Chancellor be granted authority to execute any ancillary documents, including but not limited to, all required agreements, conveyances, easements and rights-of-way, deemed necessary and appropriate to implement the purchase of the Property.

**4. IMPETUS (WHY NOW?):**

- UNLV has been looking at options/opportunities within the general Midtown area that would be suitable for a replacement of Grant Hall and the visual arts programs included there. The property is suitable for this as it has high ceilings and can be renovated to meet these requirements.
- The property also has the capability to address other UNLV programs that have a need for high ceiling space.
- The property is currently in bankruptcy proceedings. If the board were to approve this request UNLV's offer would be submitted to the bankruptcy court as a primary offer.

**5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- Grant Hall has been on the UNLV's capital list for a long time with an estimated cost of \$75 million for a new facility.
- UNLV has a need for additional high ceiling space to support research and academic programs with this type of a need.
- The property will be renovated to University specifications and will provide the ability to address future needs.
- UNLV funds are available for the recommended purchase price.
- The current leases to the 99 Cents Store and Crown Castle International Group will provide additional revenue to offset the O&M expenses.
- Acquisition of the property will be another step by UNLV to acquire property on the east side of Maryland Parkway to address future Midtown UNLV master planning.

**6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

- Purchase of the property represents a long term financial commitment to operate the facility.
- Market rates and/or property values in this area might resume their downward trend.
- Other properties, not close to UNLV, might be available for a lower cost

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

- Decline to accept the letter of intent to purchase and delegate to the chancellor the authority to finalize the agreement.

**8. COMPLIANCE WITH BOARD POLICY:**

X Consistent With Current Board Policy: Title #4 Chapter #10 Section #1 (9)

(Acquisition or Sale of Real Property) and Section 9(II) (Gifts)

Amends Current Board Policy: Title #\_\_\_\_\_ Chapter #\_\_\_\_\_ Section #\_\_\_\_\_

Amends Current Procedures & Guidelines Manual: Chapter #\_\_\_\_\_ Section #\_\_\_\_\_

Other: \_\_\_\_\_

X Fiscal Impact: Yes X No \_\_\_\_\_

Explain: The Letter of Intent includes a purchase price of \$4 million. Current leave revenue will cover the operating costs for the 44k gsf of this building that would be used in the near term. The purchase price of \$4M would come mostly from the residual funds left in the Rainbow Gardens sale account, with the remainder coming from our land acquisition account.

February 3, 2014

**VIA EMAIL DELIVERY**

Ray Germain  
Senior Associate  
Marcus and Millichap  
3800 Howard Hughes Parkway, Suite 1550  
Las Vegas, NV 89169

RE: Offer to Purchase  
A. P. N. 162-23-101-003 (the "Property")

Mr. Germain:

The following is our proposal regarding the purchase of the above referenced Property.

**APN:** 162-23-101-003

**BUYER:** Board of Regents of the Nevada System of Higher Education, on behalf of the University of Nevada, Las Vegas ("Buyer")

**SELLER:** J O & Sons Limited Partnership, a Nevada Limited Partnership ("Seller")

**LOCATION:** 1325 E. Flamingo Road (approximately 4.19 acres)

**PURCHASE PRICE:** \$4,000,000

**TRANSACTION:** Cash Purchase

**ESCROW DEPOSIT:** Fifty Thousand Dollars (\$50,000.00) to be paid into escrow within three (3) days from purchase and sale agreement execution. The escrow deposit will be placed into an interest bearing account. The escrow deposit will be applied to the purchase price in the event that Buyer closes escrow.

**DUE DILIGENCE:** Forth-five (45) days commencing after purchase and sale agreement execution. Seller will provide CLTA owners title policy at Seller's cost from Nevada Title Company and Buyer will pay for any additional ALTA coverage and other Buyer required endorsements. Buyer will pay for due diligence costs.

**CLOSE OF ESCROW:** Close of Escrow shall be the later of the following items: (i) ten (10) business days after receiving approval to purchase property from the Board of Regents of the Nevada System of Higher Education, or (ii) receiving final approval of order from Bankruptcy Court, or (iii) expiration of due diligence

period, whichever is later. Total purchase price to be paid in cash at the close of escrow.

COMMISSIONS: Seller to pay Broker commission on the transaction.

SELLER OBLIGATIONS: Seller shall deliver to Buyer the subject property at close of escrow, vacant, free of liens, special improvement assessments, any encumbrance, or any other type of obligation. Property to be delivered in its current "as/is where is" condition subject only to existing tenancies which shall not be amended prior to close of escrow.

TITLE COMPANY: Nevada Title Company

AGREEMENT: This letter does not constitute a binding offer to purchase; it is merely a statement of certain terms, among others, upon which Buyer would be willing to buy the Property from Seller. No binding contract shall exist until such time as a binding purchase and sale document satisfactory in form and substance to the Seller and Buyer have been fully executed and delivered by both parties.

If the foregoing terms are satisfactory to you, please execute the enclosed copy of this letter in the space provided below and return it to the undersigned within five (5) business days of the date set forth above. Based upon that indication that the terms and conditions outlined above are satisfactory, Buyer will cause its attorneys to prepare a definitive purchase and sale agreement for your review and consideration.

Board of Regents of the Nevada System of Higher Education,  
on behalf of the University of Nevada, Las Vegas

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Don Snyder  
Acting President, University of Nevada, Las Vegas

Agreed and accepted:

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Peter Yang  
J O & Sons Limited Partnership



1325 E. Flamingo

99  
Cents  
Store

Cell Tower Location