

# New Mexico Public Education Commission



## Charter School Renewal Application Part E: Facilities

Charter Schools Division  
Public Education Department  
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Santa Fe, NM 87501  
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Approved by the Public Education Commission: March 18, 2022

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## Instructions

Please read the entire Charter School Renewal Application Kit before preparing documents. In an effort to help applicants understand the requirements of the Renewal Application, the CSD will hold a minimum of two technical assistance workshops. Applicants will be notified of the dates, times, and locations of the workshops.

Enter applicant responses in boxes below. Answer all questions unless the question indicates that applicants should answer only under certain conditions (e.g., rating on a Performance Framework indicator requires explanation, etc.). Narrative responses should be verifiable through documents submitted or observable evidence at the renewal site visit.

## School Information

<b>Name of School:</b> Tierra Adentro of New Mexico
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## Facilities Narrative

Provide a description of the charter school facilities. Enter applicant response in box below:

<p><b>School response:</b> In October 2020, Tierra Adentro of New Mexico broke ground on its 'forever home,' a two-story building located in Albuquerque's Saw Mill market area. The 38,101 square foot building consists of administrative offices, classrooms, music studio, multi purpose room, science labs, commercial kitchen, and locker rooms. In April 2021, the school's lease purchase agreement was approved by NMPED, and in 2022, the school moved into its building.</p>
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<p>The school's facility master plan is current through December 31, 2028. Since receiving its approval from the Public School Facilities Authority, the school has made the following improvements as suggested in letter dated July 1, 2022:</p>
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<p>1. The school has updated signage at the front door and added signage to all exterior doors to direct the community to the front. The school has also purchased a marquee sign that will be installed by the end of October 2024.</p>
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2. The school has added security key card entrance to its building
3. The school has installed vape detectors.
4. Additional security cameras around campus and the parking lot: All classrooms have security cameras and all main hallways. The school has added cameras to the back loading dock and outside the northeast campus. The school will continue to add additional cameras as the budget allows.

Additionally, while not a part of the school's master plan, the school also installed two shade structures on campus; one shade structure is located on the lunch patio and the other is located in the Artesania outdoor class space.

Completed Building:



## Appendices

Include the following appendices as PDFs, using the following naming conventions. In place of "School Name" please use a short form of the school's name, with the same form used consistently for all appendices.

	File Name	Documentation
E-1	E-1 E-Occupancy School Name	E-Occupancy Certificate

<b>E-2</b>	E-3 Lease Agreement School Name	A copy of the facility lease agreement, if applicable
<b>E-3</b>	E-4 Facility Master Plan School Name	Facility Master Plan



# Certificate of Occupancy

City of Albuquerque  
Planning Department  
Building Safety Division

*This Certificate, issued pursuant to the requirements of Section 115.3 of the Albuquerque Uniform Administrative Code, certifies that at the time of issuance this structure was in compliance with the above code and other technical codes and city ordinances regulating building construction or use.*

Building Address 1781 BELLAMAH AV NW

Zip 87104

Portion of Building NEW BUILDING

Use Classification Commercial Project

Bldg. Permit No. 2020-26476

Occupancy Group E

Type of Construction V-B SPRINKLERED

Land Use Zone N/A

Owner of Building DIEGO GALLEGOS

Address: 1905 MOUNTAIN RD NW, ALBUQUERQUE,  
NM 87104

By: Cassandra Murillo



V Land Clark  
Chief Building Official

Date: January 14, 2022

IBC Code Year: 2015

**POST IN A CONSPICUOUS PLACE**

**MAXIMUM OCCUPANT LOAD: 738**

# LEASE PURCHASE ARRANGEMENT

Between

THE TIERRA ADENTRO CHARTER SCHOOL  
FOUNDATION,  
as LESSOR

and

TIERRA ADENTRO CHARTER SCHOOL  
as LESSEE



THIS LEASE PURCHASE ARRANGEMENT (referred to herein as "this Agreement"), is made this 24<sup>th</sup> day of August, 2020, between Tierra Adentro Foundation ("Lessor"), and Tierra Adentro Charter School ("Lessee").

### Recitals

A. Lessor is the owner of a leasehold estate in the Land pursuant to that certain Land Lease Agreement (the "Ground Lease") of even date herewith between the Sawmill Community Land Trust as "Land Owner" and Lessor as "Land Lessee"; Lessee has been provided with a copy of the Ground Lease and agrees that this Agreement is subject to the terms and conditions set forth in the Ground Lease.

B. Lessee is a chartered charter school as defined in Section 22-8B-2(A) NMSA 1978, authorized to enter into a "lease purchase arrangement" in accordance with the Public-School Lease Purchase Act, Chapter 22, Article 26A NMSA 1978 (the "Public School Lease Purchase Act").

C. Lessee's governing body has determined that it is necessary, desirable, and in the best interest of Lessee to lease, and subject to certain contingencies as set forth in this Agreement, and to the separate statutory approval of the Department and the Public School Facilities Authority ("PSFA") to purchase from Lessor the Land and Improvements (collectively the "School Site") at 1771 Bellamah Avenue NW 87104, Albuquerque, New Mexico as shown in Exhibit A hereto.

D. Lessee's governing body has not formally promised or undertaken to provide as security for the debt or financial obligations of either a private nonprofit entity specifically organized under Section 22-8B-4.2(D)(1)(b) NMSA 1978, or a private nonprofit corporation, domestic or foreign, as defined in the Nonprofit Corporation Act, any public education funds, or other state or federal funds, received, or to be received, from or through the State of New Mexico, relative to this Agreement.

### Agreement

## **ARTICLE I DEFINITIONS AND EXHIBITS**

**Section 1.1. Definitions.** Unless context otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, and all appertaining exhibits and documents have the meanings herein specified.

"Agreement" has the same legal meaning and effect as either the term "lease purchase arrangement" or "financing agreement," as these latter two terms are defined in Section 22-26A-3(A) NMSA 1978, whether capitalized herein or not.

"Capital Outlay Act" means the Public School Capital Outlay Act, Chapter 22, Article 24 NMSA 1978.

"Charter Schools Act" means the Charter Schools Act, Chapter 22, Article 8B NMSA 1978.

"Commencement Date" means, per statute, no sooner than thirty (30) days from the date of execution of the Lease Purchase Arrangement by the parties after approval by the New Mexico Public Education Department and the Public Schools Facilities Authority, after which date the payment obligations under the Lease Purchase Arrangement will continue for a period not exceeding thirty (30) years after the date of execution as prescribed by NMSA 1978, Section 2226A- 5(C).

"Department" is the Public Education Department.

"Improvements" means any building(s), capital improvements and other facilities on the School Site.

"Land" means Tract Letter "A" in Block No. 28 of Valley View Edition, Albuquerque, New Mexico, as the same is shown and designated on the Plat of said addition filed in the Office of the County Clerk in Bernalillo County, New Mexico, on April 4, 1985, in Plat Book C26, Folio 180. (See Exhibit A).

"Lease Purchase Act" means the Public School Lease Purchase Act, Chapter 22, Article 26A NMSA 1978.

"Lessee Representative" means the designated person delegated the authority to act on behalf of Lessee under or with respect to this Agreement as evidenced by a document conferring such authority executed by Lessee's governing body and delivered to Lessor or Lessor's Representative. The default Lessee Representative shall be the Governing Council President.

"Lessor Representative" means the person acting with proper authority to administer and transfer property with respect to this Agreement as evidenced by a document conferring such authority executed by Lessor, given to Lessee or a Lessee Representative.

"Net Proceeds" means any insurance proceeds or condemnation award paid with respect to the School Site, remaining after payment therefrom of all costs and expenses incurred in the collection thereof.

"Permitted Mortgagee" means the holder of a mortgage or deed of trust which:

- a) run in favor of an "institutional lender" such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or a community loan fund, or similar non-profit lender to housing projects for low and moderate income persons;

- b) are a first lien on all or any of the Improvements and Lessee's leasehold estate in the Land (the "Security");

- c) provide, among other things, that in the event of a default in any of the mortgagor's obligations thereunder, Permitted Mortgagee shall notify Lessor of such fact and Lessor shall have the right, but shall not have the obligation, within 120 days after its receipt of such notice, to cure such default in the mortgagor's name and on mortgagor's behalf, provided that current payments due the holder during such 120 day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such "Permitted Mortgage" or to commence to foreclose under the Permitted Mortgage on account of such default;

- d) provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Permitted Mortgage or initiate foreclosure proceedings under the Permitted Mortgage, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but shall not have the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by the Permitted Mortgage and to acquire the Security; and

e) provide that such holder shall comply with any requirements with respect to a sale after or in lieu of foreclosure imposed by applicable law and/or imposed as a condition of Lessee's construction and initial permanent funding for the Project Improvements. Lessee understands that Lessor will not subordinate or encumber its fee interest in the Land in connection with any loan to Lessee. Any attempt by Lessee to encumber the fee interest in the Land shall be null and void and shall constitute an automatic Event of Default hereunder, without the necessity of any notice and/or passage of time.

f) The parties acknowledge that Clearinghouse Community Financial Institution, a California corporation, is a Permitted Mortgagee.

"PSCOC "means the Public School Capital Outlay Council.

"PSFA" means the Public School Facilities Authority.

"Option to Purchase" means the right of Lessee to purchase the School Site in accordance with the terms of Article VI of this Agreement and the provisions of the Public School Lease Purchase Act.

"School Site" means the certain parcels of Land as described on Exhibit "A" and any Improvements thereon.

"Statewide Adequacy Standards" means the standards set forth in 6.27.30 NMAC (09/01/2002, as amended through 08/31/2005), and any subsequent amendments thereto promulgated by the Public School Capital Outlay Council, applicable to the School Site, and any variances from those standards granted to Lessee by the Public School Capital Outlay Council in accordance with Section 22-8B-4 .2(FN2) NMSA 1978.

"Term" means the term of this Agreement.

## **Section 1.2     Exhibits.**

The following Exhibits are attached to and by reference made a part of this Agreement:

Exhibit A - Legal Description of Land

Exhibit B – Appraisal

Exhibit C - Base Rent Payment Schedule

Exhibit D - Planned Funding Sources and Budget to make Base Rent

Exhibit E - Copy of the New Mexico Public Education Department's approval of this Agreement

Exhibit F - Copy of Deferred Amount Notes

## **ARTICLE II REPRESENTATIONS, COVENANTS AND WARRANTIES**

### **Section 2.1.    Representations. Covenants and Warranties of Lessee.**

Lessee represents, covenants and warrants as follows:

- (a)      Lessee is a duly authorized and existing State-Chartered charter school in accordance with the provisions of the Charter Schools Act.
- (b)      Lessee has full power and authority to lease, operate, maintain, and acquire the School Site under an option to purchase, to execute and deliver this Agreement, and perform the related transactions in accordance with the provisions of the Public School Lease Purchase Act and other applicable New Mexico statutes, and to carry out its obligations under this Agreement, subject to the limitations and conditions stated herein and the availability of sufficient appropriations and revenues therefor.
- (c)      Lessee's representatives executing this Agreement have been duly authorized to execute and deliver this Agreement in accordance with the terms and provisions of a resolution duly passed and adopted by Lessee's governing body.
- (d)      Lessee's governing body has complied fully with all the provisions in Section 2226A-6 NMSA 1978 and those in the Open Meetings Act, Chapter 10, Article 15 NMSA 1978 applicable to its actions with regard to this Agreement and the acquisition of the School Site through a lease purchase arrangement.
- (e)      Lessee shall not transfer, lease, assign, mortgage or encumber all or any portion of its interest under this Agreement, or the School Site itself, except in accordance with the terms and conditions hereunder and as provided by law, including Section 22-26A-5(K) NMSA 1978 with respect to assignment of the lease purchase arrangement to any third party.
- (f)      Lessee will use and occupy the School Site for the primary purpose of a public school and related activities thereto and for such other public purposes as may be authorized by state or federal law or as may be lawfully authorized or lawfully permitted by Lessee.
- (g)      Lessee will conform and comply with all applicable municipal, state and federal ordinances, laws, rules and regulations in using the School Site and will not use or suffer to be used the School Site in any manner which contravenes any applicable municipal, state or federal ordinance, law, rule or regulation, or so as to create or cause to exist a nuisance or hazardous condition under the law.
- (h)      In no event shall this Agreement have a final payment date exceeding thirty (30) years after the date of its execution by the parties

## **Section 2.2. Representations, Covenants and Warranties of Lessor**

Lessor represents, covenants and warrants as follows:

- (a) Lessor is an nonprofit corporation and current owner of the Land and the improvements and has full power and authority to enter into this Agreement and to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and is possessed of full power to own and hold real and personal property, and to lease and sell the same to the Lessee.
- (b) Neither the execution and delivery of this Agreement, nor the fulfillment of or compliance with the terms and conditions thereof, nor the consummation of the transactions contemplated hereby and thereby, conflicts with or will result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which Lessor is now a party or by which Lessor is bound.
- (c) Lessor warrants that it is in good standing pursuant to the terms of any mortgage or other financial obligation under which either the Land or School Site, or both, has been given as security for the payment of the underlying debt or financial obligation.
- (d) To the best of Lessor's knowledge, Lessor has not received any notice that the School Site and/or the present use and condition of the School Site violates any applicable deed restrictions or other covenants, restrictions or agreements, mortgages or conditions of title or ownership, site plan approval, zoning or subdivision regulations, urban development plans, the laws statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions or requirements of any authorities governing or regulating the use and operation, or otherwise applicable to the School Site and therefore represents that it conveys clean title to Lessee.
- (e) To the best of Lessor's knowledge, there are no underground storage tanks at the School Site and, to the best of Lessor's knowledge, Lessor has not used the School Site to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process pollutants, dangerous substances, toxic substances, hazardous wastes, hazardous materials or hazardous substances as defined in or pursuant to the Resource Conservation and Recovery Act (42 U.S.C.A. §§6901 et seq.) as amended, the comprehensive Environmental Response Compensation and Liability Act (42 U.S.C.A. §§9601 et seq.) as amended, or any other related Legal Requirement, and to the best of Lessor's knowledge, Lessor has not caused, and has no knowledge of, the leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of any hazardous substances on or off the School Site on adjacent properties.

### ARTICLE III AUTHORIZATION OF AGREEMENT

**Section 3.1. Agreement.** Lessor hereby leases the School Site to Lessee, and Lessee hereby leases the School Site from Lessor, upon the terms and conditions set forth in this Agreement, provided that the terms and conditions herein are not in contravention of any applicable laws. This Agreement, once fully executed, supersedes any prior Lease Agreement, or other agreement for the School Site.

**Section 3.2. Possession and Enjoyment.** Lessor hereby covenants with respect to the School Site, to provide Lessee during the Term with quiet use and enjoyment of the School Site, and Lessee shall during the Term peaceably and quietly have and hold and enjoy the School Site, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Agreement.

**Section 3.3. Lessor Access to School Site.** Lessee agrees that during the term of this Agreement following the Commencement Date of this Agreement, Lessor or Lessor Representative shall have the right during Lessee's normal working hours on Lessee's normal working days, upon compliance with any security requirements imposed by Lessee and upon forty eight (48) hours' notice, to enter on and examine and inspect the School Site for the purpose of assuring that the School Site is being properly maintained, preserved and kept in good repair and condition. Lessee further agrees that Lessor shall have such rights of access to the School Site as may be reasonably necessary to cause the proper maintenance of the School Site in the event of failure by Lessee to perform its obligations hereunder, provided that at no time shall Lessor be compelled or required to make any improvements, alterations or additions to the School Site, except as expressly provided in Section 7.1.

"Failure by the Lessee" for the purposes of this Section shall mean that no contractor or staff has been engaged by Lessee to perform the proper maintenance within 90 days of the maintenance issue being brought to the attention of the Lessee. Should Lessor be compelled or required to make any improvements, alterations, or additions to the School Site under this Section Lessor shall award this work only after receipt of no less than three (3) bids given by qualified persons to perform the maintenance. Cost must be a factor in the Lessor's decision of to whom to award this work.

**Section 3.4. School Site.** The School Site is the real property described on Exhibit A and any Improvements.

### ARTICLE IV TERM OF AGREEMENT

**Section 4.1. Term.** The Term shall commence thirty (30) days from the date of execution of this Agreement by the parties after approval by the Public Education Department and the Public School Facilities Authority and continue for the term set forth in Exhibit C, unless terminated earlier as provided at Section 4.2.

**Section 4.2. Termination of Agreement.** The Agreement will terminate upon the occurrence of the first of the following events:

- (a) the purchase of the School Site by the Lessee pursuant to Article VI of this Agreement;
- (b) a default by Lessee, and after notice and an adequate opportunity to cure, Lessor's election to terminate this Agreement pursuant to Article XI;



- (c) a default by Lessor, and after notice and an adequate opportunity to cure, Lessee's election to terminate this Agreement pursuant to Article XI; or
- (d) if, through failure to appropriate funds, after good faith efforts by Lessor and Lessee to appropriate adequate funding, sufficient money is not available to meet current lease payments.

**Section 4.3. Effect of Termination of Term.** Upon termination of the Agreement:

- (a) All unaccrued obligations of Lessee hereunder shall terminate, but all obligations of Lessee that have accrued hereunder prior to such termination shall continue until they are discharged in full, subject to the provisions of Section 22-8B-12.1(C) NMSA 1978, under which the Department may assume control and management of Lessee's assets and finances, and over powers and duties of Lessee's governing body designated as a board of finance under Section 22-8B-6(M)(4) NMSA 1978; and
- (b) If the termination occurs because of the occurrence of a non-appropriation as described in Section 4.2(d) herein, or because of an Event of Default, (i) Lessee's right to possession of the School Site hereunder shall terminate; (ii) Lessee shall, within one hundred and eighty (180) days thereafter, vacate the School Site; and (iii) if and to the extent Lessee has appropriated funds for payment of Base Rent payable during, or with respect to Lessee's use of the School Site during, the period between termination of the Term and the date the School Site is vacated, Lessee shall pay such Base Rent to Lessor or, in the case of Operational Expenses, the other Person entitled thereto, subject to Section 22-2-2(C) NMSA 1978, and to the authority of the Department under the provisions of Section 22-2-2(C) NMSA 1978, as set forth hereinabove.
- (c) If the Agreement is terminated prior to the final payment and the release of the security interest or the transfer of title, the current value of all improvements at the time of termination in excess of the outstanding principal due and attributable to capital improvements that were made by Lessee during the term of the Agreement and that were not a term or condition of the Agreement shall be paid in accordance with Section 2226A-1 et seq., as amended NMSA 1978, to Lessee.
- (d) Lien on Improvements by Lessee. If state or Lessee's funds, above those required for lease payments, are used to construct or acquire improvements after the Commencement Date, the cost of such Improvements shall constitute a lien on the School Site in favor of Lessee, subordinate to the lien(s) of Permitted Mortgagee(s) and then, if this Agreement is terminated prior to the final payment and the release of the security interest or the transfer of title at the option of the Lessee: (1) Lessee may foreclose the lien on the School Site; or (2) the current market value of the School Site or other real property at the time of termination, as determined by an independent appraisal certified by the New Mexico Taxation and Revenue Department, in excess of the outstanding principal due under the

Agreement shall be paid to Lessee. The priority of any such lien shall be determined according to New Mexico law.

**Section 4.4 Continuation.** Pursuant to Section 22-26A-5(I) (2015) while the parties agree that in the event the Public Education Department and the Public School Facilities Authority fail to provide sufficient funding to pay the Base Rent and other amounts due hereunder, there is no legal obligation for the Lessee to continue this Agreement from year to year or to purchase the School Site, in accordance with Section 22-26A-5(I) NMSA 1978, Lessee will use best efforts to obtain financing to continue this Agreement.

## **ARTICLE V LEASE PAYMENTS**

### **Section 5.1. Payments.**

(a) Lessee agrees to pay Lessor and Lessor agrees to accept as full lease payment for the premises a sum equal to the amounts provided in the "Base Rent Schedule" attached as Exhibit C ("Base Rent"), payable monthly on or before the tenth day of the month of the first month following the Commencement Date and each succeeding month throughout the term of the Agreement. Lessor may deliver to Lessee a monthly invoice no later than the first of each month. Any partial month will be calculated on a pro rata basis.

(b) Lessee agrees to pay, due at the time of occupancy , a one-time special payment of \$295,550. This one-time special payment shall be immediately credited to and used by the Lessor to pay deferred fees of the architect, contractor and attorney as set forth in Exhibit F attached hereto.

(c) Lessee agrees to an annual payment of [\$593,591.] The annual payment shall be credited toward the current outstanding principal upon receipt. The annual payment shall be due, beginning in 2021, or earlier at the sole discretion of Lessee, between July 1 and December 1 in each subsequent year, until the balance is fully paid, or termination of this Agreement. The annual special payment [NOTE: DOES THIS REFER TO THE \$295,550 ABOVE?] shall be deemed a prepayment upon receipt.

(d) A portion of each payment of Base Rent is paid as, and represents payment of, interest as shown on Exhibit C hereto, which sets forth the interest component of each payment of Base Rent. Upon receipt by Lessor of each payment of Base Rent, Lessor shall apply the amount of each Base Rent payment to principal and interest as shown on Exhibit C.

(e) Except to the extent required by law, Lessee and Lessor agree that the Base Rent payments, as used in this Section 5.1 hereof, do not include payments for repair, maintenance, operating expenses and the like which are otherwise obligations of Lessee as Operating Expenses under the terms of Section 7.1 of this Agreement.

(f) The Base Rent and other obligations payable by Lessee under this Agreement shall constitute currently appropriated expenditures of Lessee and shall not constitute a debt or multiple fiscal year direct or indirect obligation whatsoever of Lessee or a mandatory charge or requirement against Lessee in any fiscal year (July 1 to June 30) beyond the fiscal year for which such payments have been approved.

(g) Lessee will pay all late charges and all collection costs incurred, including reasonable attorney's fees, on all Prior Obligations paid directly by Lessee or through Escrow Agent. A late charge of \$100.00, will be due and payable by Lessee on any payment that is 10 days overdue. Late charges will be paid to Lessor as additional interest.

(h) Payments will be applied as of the date of receipt, first to accrued interest then to the Balance Due.

**Section 5.2.** Notwithstanding any other provisions in this Agreement , the parties agree that Lessee's governing body has not pledged, transferred, or granted a security interest in, or assigned to any private third party, public funds, monies, grants, or other distributions received, or to be received , by Lessee from or through the State of New Mexico, for the purpose of securing payment of a third-party debt or full performance on a monetary obligation relative to the acquisition of the School Site through the issuance and sale of educational facility revenue bonds (or conduit bonds) or any other funding mechanism .

## **ARTICLE VI CONTINGENT OBLIGATION TO PURCHASE**

**Section 6.1. Option to purchase.** In consideration of the agreements, promises, and covenants made in this Agreement, and other good and valuable consideration received, Lessor grants to Lessee the option to purchase the School Site upon the terms and conditions set forth in this Agreement. Lessee may only exercise its option to purchase the School Site after notice of such exercise to, and with the consent of, any Permitted Mortgagee (as defined in the Ground Lease).

**Section 6.2.** Notice of sale and transfer. Lessee's election to proceed to sale and transfer of the property must be evidenced by a written notice addressed to Lessor, sent by registered or certified mail to Lessor's office or to any other place designated by Lessor by written notice to Lessee, with a copy to any Permitted Mortgagee.

**Section 6.3. Purchase Price on Exercise of Option:** The Purchase Price for the School Site shall be the unpaid principal amount at the time of the exercise of the option upon which interest shall accrue at an annual rate of 6.25% per annum on the CCDFI primary loan and 6.00% on the DSDC subordinate loan, and in accordance with the schedules attached as Exhibit C. Said interest rate does not exceed the maximum permitted by the Public Securities Act, Section 6-14-1 through 614-3 NMSA 1978. The price to be paid by Lessee to Lessor for the School Site on an Option Date shall be the principal balance of the unpaid purchase price as of that Option Date, as set forth in the Base Rent Schedule attached hereto at Exhibit C plus any accrued and unpaid interest, plus expenses described in Section 6.4 below. All proceeds of the Purchase Price shall be applied first to the payment of all amounts owing on any Permitted Mortgage.

**Section 6.4. Expenses, mortgage.** The Purchase Price to be paid to Lessor, as provided above, shall be a net amount to Lessor, and expenses in connection with the transfer of the School Site, including, but not limited to, title insurance, recording fees, documentary stamps, and other closing costs, shall be divided evenly by Lessor and Lessee.

**Section 6.5. Transfer of title.** Except as provided below, at closing Lessor shall convey the School Site to Lessee free and clear of any mortgage, indenture or other encumbrance.

**Section 6.6. Performance of lease.** The right to exercise this option is conditioned upon the faithful performance by Lessee of all its covenants, conditions, and agreements under this lease, and the payment by Lessee of all Base Rent, and other special payments as provided in this lease to the date of the completion of the purchase of the School Site by Lessee.

**Section 6.7. Adjustments.** Adjustments and proration of taxes, water rents, insurance premiums, and similar items shall be made as of the date of the closing of title, in accordance with the practice approved by the parties.

**Section 6.8. Security deposit.** The parties stipulate that no security deposit was paid by Lessee as part of this agreement and none is required.

**Section 6.9. Assignment of option, binding effect.** Lessee may not assign this Agreement to another charter school, school district, the state or one of its institutions, instrumentalities or other political subdivisions without the prior written consent of Lessor, which shall not be unreasonably withheld, and without the prior written consent of any Permitted Mortgagee, which consent may be withheld in such Permitted Mortgagee's sole discretion. Assignment shall inure to the benefit of Lessee's respective successors and assigns. Any assignment of this Agreement shall be without cost to the Lessee and is subject to Section 22-26A-5(K) (2015).

**Section 6.10. Prepayment.** The amounts due under this Agreement are subject to prepayment at the option of Lessee at such time or times and upon such terms and conditions, with or without the payment of such premium or premiums as determined by Lessee's Governing Council.

## **ARTICLE VII MAINTENANCE AND INSURANCE**

**Section 7.1. Maintenance and Facility Costs.** Lessee shall at all times during the Term maintain, preserve and keep the School Site in good repair, working order and condition, and shall from time to time make all repairs, replacements and improvements necessary to keep the School Site in such condition. This Agreement is intended to be and shall be construed consistently with it being an absolute net lease with Lessee paying all expenses related to the School Site, including without limitation, (i) the cost of insurance premiums for insurance required by law; (ii) the cost of taxes, utility charges, maintenance, upkeep, and repair costs including routine repair and replacement of roof, structural components, HVAC, and carpet and/or tile; and (iii) all other costs associated with operation, repair and maintenance of the School Site (collectively, "Operating Expenses").

**Section 7.2. Lessee's Insurance Obligations.**

- (a) **Liability Insurance.** Beginning upon the Commencement Date, Lessee shall procure and maintain or cause to be carried and maintained in full force and effect during the term of this Agreement and any extension thereof at Lessee's sole cost and expense and as additional rent above the Base Rent hereunder, such public liability insurance covering bodily injury, disease, illness or death and property damage liability, as is available from and provided by the New Mexico Public Schools Insurance Authority ("NMPSIA") or its successor with limits of coverage in compliance with law. Lessor shall be named as an additional-named insured on such policy of insurance, and Lessee shall deliver a copy thereof to Lessor upon the commencement of the term of this Agreement. Lessee shall adjust such minimum coverage limits annually or as necessary to conform to the minimum coverage limits required for local public bodies pursuant to Sections 41-4-19 and 41-4-20 NMSA 1978, and Sections 22-29-1 through 22-29-11 NMSA 1978, as amended.

(b) Property Insurance. Subject to the availability of such coverage from NMPSIA, Lessee shall also carry and maintain or cause to be carried and maintained in full force and effect during the term of this Agreement and any renewal thereof, at Lessee's sole cost and expense, fire and extended coverage insurance upon the School Site, including all buildings, alterations, additions and improvements in an amount equal to their replacement values. Lessor and lending institution(s) of record shall be named as additional insureds and loss payees on the Property Insurance Policy and shall be provided with a copy of this policy annually on the anniversary date of the Policy. In the event that the School Site should be destroyed or substantially damaged in whole or in part, and such loss is covered by fire and extended coverage insurance, Lessee shall have the option to either continue this Agreement and use the insurance proceeds to replace or repair the School Site and on Lessor's behalf, or terminate this Agreement and tender to the Lessor all such insurance proceeds attributable to the loss or damage to the School Site. If for any reason Lessee is prohibited by law or regulation from carrying such insurance, Lessor may obtain such insurance, and Lessee shall pay the premiums of such insurance out of any funds allowable by law.

**Section 7.3. Worker's Compensation Insurance.** If required by state law, as of the Commencement Date, Lessee shall carry worker's compensation insurance covering all of its respective employees on, in, near or about the School Site and upon request, shall furnish certificates to the Lessor evidencing such coverage.

**Section 7.4. Liens.** Except as provided in Section 4.3, neither Lessee or Lessor shall directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Improvements, other than the respective rights of Lessor and Lessee as herein provided. Except as otherwise expressly provided in this Article, Lessor and Lessee shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, other than existing mortgages or subsequent mortgages as agreed to by the parties in writing, pledge, lien, charge, encumbrance or claim in the same shall arise at any time, during the respective party's control of the School Site and each party shall reimburse the other for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim which arose during the control of the School Site

## **ARTICLE VIII CONDEMNATION; USE OF NET PROCEEDS**

**Section 8.1. Condemnation.** In the event that all or any portion of the School Site or Improvements are condemned by any governmental body or agency under power of eminent domain or is sold under threat of condemnation to any public body other than Lessee prior to purchase of the School Site by Lessee, Lessor shall be entitled to all compensation awarded, less an amount equal to Lessee's principal payments made to date in accordance with Article VI, plus the value of any improvements placed on the School Site by Lessee pursuant to Section IX herein, which portions of the compensation awarded shall be paid to Lessee, or if there is a Permitted Mortgage, such compensation award shall be paid as provided in the Permitted Mortgage.

**Section 8.2. Condemnation of Other Property Owned by Lessee.** Lessee shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the School Site. Lessor agrees that Lessee shall have the option, upon written notice to Lessor, to enter an appearance and defend in any condemnation action as to both the School Site and the Improvements, and upon such election, Lessor shall not be obligated to provide a defense as to the Improvements but may do so at Lessor's sole expense. Inconsideration for such option granted in this paragraph, Lessee agrees not to enter into any settlement agreement as to the condemnation award to be paid for the taking or partial taking of the Improvements without Lessor's prior consent, which consent shall not be unreasonably withheld.

## **ARTICLE IX LESSEE'S IMPROVEMENTS, EQUIPMENT AND WARRANTIES**

**Section 9.1. Improvements to School Site.** Lessee, at its own expense, may remodel, or make additions, modifications or improvements to, the School Site, provided that (i) such remodeling, modifications and additions (A) shall not in any way damage the School Site as it existed prior thereto and (B) shall become part of the School Site, subject to the provisions of Section 4.3; (ii) the value of the School Site after such remodeling, modifications and additions shall be at least as great as the value of the School Site prior thereto; and (iii) the School Site, after such remodeling, modifications and additions, shall continue to be used as provided in and shall otherwise be subject to the terms of this Agreement. If Lessee makes and pays for improvements to the School Site, there shall be no additional financial obligations under this Agreement to Lessee without written approval by the Department, in accordance with Section 22-26A-5(L) NMSA 1978.

**Section 9.2. Installation of Lessee's Equipment.** Lessee may at any time and from time to time in its sole discretion and at its own expense, install items of movable machinery, standard office partitions, railings, doors, gates, counters, cabinets, lighting fixtures, signs and such other furnishings and equipment as may in Lessee's judgment be necessary for its purposes in or upon the School Site. All such items shall remain the sole property of Lessee, in which Lessor shall have no interest, and may be modified or removed by Lessee at any time provided that Lessee shall repair and restore any and all damage to the School Site resulting from the installation, modification or removal of any such items upon termination of this Agreement for any reason other than purchase of the School Site by Lessee. Nothing in this Agreement shall prevent Lessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the School Site.

**Section 9.3. Warranties.** Upon acceptance and purchase of the School Site by Lessee pursuant to Article VI hereof, Lessor will assign to Lessee, all of her interest, if any in all warranties and guarantees or other contract rights against architects, builders, contractors, subcontractors, suppliers, materialmen or manufacturers for the School Site, express or implied, issued on or applicable to the School Site, and Lessor hereby authorizes Lessee to obtain the customary services furnished in connection with such warranties and guarantees at Lessee's expense.

**ARTICLE X**  
**ASSIGNMENT, SUBLEASING, MORTGAGING AND SELLING**

**Section 10.1. Assignment.** Neither party shall assign its interests in this Agreement without the prior written consent of the other party which consent shall not be unreasonably withheld or delayed, and the prior written consent of any Permitted Mortgagee, which consent may be withheld in such Permitted Mortgagee's sole and absolute discretion. Any consent by a party to any assignment shall not operate as consent to any further assignment, and any further assignment shall be subject to the prior written consent of the other party in accordance with the provisions of this Section 10.1. Unless otherwise agreed, no assignment permitted hereunder shall relieve a party from liability for the performance of its obligations under this Agreement for the remainder of the then current term. A change in the name only of either party does not constitute an assignment to another entity.

Notwithstanding any other provision in this Agreement, with the prior approval of Lessor, which shall not unreasonably be withheld, and the prior written consent of any Permitted Mortgagee, which consent may be withheld in such Permitted Mortgagee's sole and absolute discretion, the Lease Purchase Arrangement is assignable, without cost to the assignee charter school and with all of the rights and benefits of its predecessor in interest in being transferred to the assignee, to: (1) a school district or charter school; or (2) the state or one of its institutions, instrumentalities or other political subdivisions, all in accordance with Section 2226A-5(K) NMSA 1978.

Nothing in Section 10.1 herein shall be deemed to prohibit, limit or restrict Lessee's ability to enter into joint powers agreements for shared use of the School Site, provided that each party to such agreement is a "public agency" as defined in the Joint Powers Agreement Act, Sections 111-1 through 11-1-7 NMSA 1978, and that both public agencies are authorized by their legislative or other governing bodies to jointly exercise any power common to the contracting parties as provided by law.

**Section 10. 2. Restriction on Mortgage or Sale of School Site by Lessee.** Prior to closing on purchase of the School Site, Lessee will not mortgage, sell, assign, transfer or convey the School Site or any portion thereof without the written consent of Lessor, which consent shall not be unreasonably withheld or delayed, and without the prior written consent of any Permitted Mortgagee, which consent may be withheld in such Permitted Mortgagee's sole and absolute discretion.

**Section 10.3. Title.** Upon the purchase of the School Site by Lessee pursuant to Article VI. of this Agreement, Lessor shall transfer its interest in the School Site to Lessee by standard form general warranty deed free and clear of any encumbrances, except those specifically accepted by Lessee.

## **ARTICLE XI**

### **EVENTS OF DEFAULT AND REMEDIES**

**Section 11.1. Events of Default Defined.** The following shall be "Events of Default" under this Agreement and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Agreement, with respect to the School Site, any one or more of the following events:

- (a) Failure by Lessee to make any payments under this Agreement as and when due, except where the Public Education Department and/or the Public Schools Facilities Authority have failed to appropriate sufficient funds to meet any current lease payment despite Lessee's best efforts to obtain sufficient funding from the New Mexico authorities;
- (b) Failure by Lessor or Lessee to observe and perform any covenant, condition or agreement (other than as described in Section 11.1(a)) on its part to be observed or performed, for a period of thirty days after written notice specifying such failure and requesting that it be remedied has been given by the non-defaulting party unless the non-defaulting party shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the non-defaulting party will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the defaulting party within the applicable period and diligently pursued until the default is corrected.
- (c) The filing by Lessor or Lessee of a voluntary petition in bankruptcy, or failure by Lessor or Lessee promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessor or Lessee to carry on its operations at the School Site, or adjudication of Lessor or Lessee as a bankrupt, or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to Lessor or Lessee in any proceedings instituted under the provisions of the federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

**Section 11.2. Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, Lessor may, after written notice of such Event of Default to Lessee and any Permitted Mortgagee and an adequate period within which to cure such Event of Default, take one or any combination of the following remedial steps:

- (a) Terminate and give notice to Lessee to vacate the School Site within one-hundred eighty days (180) days from the date of such notice.
- (b) Lease all or any portion of the School Site.
- (c) Recover from Lessee: (i) to the extent the recovery thereof is permitted by law, the fair rental value of the use of the School Site during any period beyond the thirtieth (30th) day following the occurrence of the Event of Default; and (ii) Base Rent, to the extent amounts for such Base Rent has been specifically appropriated in accordance with the provisions hereof, which would otherwise have been payable by Lessee hereunder during the remainder, after Lessee vacates the School Site, of the Fiscal Year in which such Event of Default occurs.
- (d) Take whatever action allowed under law to enforce its rights in and to the School Site under this Lease.



(e) Notwithstanding the foregoing, Lessor's written notice to Lessee of an Event of Default shall describe the Event of Default in detail and provide a description of the actions required of Lessee to cure the alleged Event of Default.

**Section 11.3. Force Majeure.** The provisions of Sections 11.1 and 11.2 are subject to the following limitations: if by reason of *force majeure* Lessee or Lessor is unable in whole or in part to carry out its obligations under this Agreement, Lessor or Lessee shall not be deemed in default during the continuance of such inability or during any other delays which are a direct consequence of the *force majeure* inability. The term "*force majeure*" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority other than the Lessee or Lessor; insurrections; riots; earthquakes; fires; storms; drought; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of Lessor or Lessee and not resulting from the negligence of the party claiming a *force majeure* event. Lessor and Lessee agree, however, to remedy with all reasonable dispatch the cause or causes preventing them from carrying out their respective obligation under this Agreement ; provided that the settlement of strikes, lockouts and other industrial disturbances shall not be required if in the judgment of the party raising the defense of *force majeure*, acceding to the demands of the person or persons creating the strike, lockout or industrial disturbance, would be injurious to such party.

**Section 11.4. Remedies Cumulative.** The above-provided rights and remedies to which either party is entitled hereunder are cumulative, and not exclusive, of all other rights and remedies to which a party may be entitled in the event of breach or threatened breach by a party in default of any of the terms, conditions and provisions contained herein.

**Section 11.5. No Additional Waiver Implied by One Waiver.** The failure, neglect or omission of a non-defaulting party to terminate this Agreement for any breach or default shall not be deemed a consent by the non-defaulting party of such breach or default and shall not stop, bar or prevent the non-defaulting party from thereafter terminating this Agreement, either for such violation or for prior or subsequent violation of any covenant hereof. In the event any agreement contained in this Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**Section 11.6. Dispute Resolution.** The parties shall endeavor to resolve all disputes arising as to this Agreement by mediation or arbitration before a mutually agreed mediator or arbitrator the cost of which shall be equally shared by the parties. Whether to use mediation or arbitration is at the sole discretion of the Lessor. In the event the Lessor choses arbitration in accordance with the terms of this Section shall be used to resolve any and all claims, disputes or disagreements arising under this Agreement, except for (i) matters requiring immediate exigent relief, including without limitation unlawful detainer; and (ii) all claims by either party which (a) seek anything other than enforcement of rights under this Agreement, or (b) are primarily founded upon matters of fraud, willful misconduct or any other allegations of tortious action, and seek the award of punitive or exemplary damages, which disputes shall be resolved by suit filed in the Second Judicial District Court, Bernalillo County, New Mexico, the decision of which court shall be subject to appeal pursuant to applicable law. The parties hereby agree to conduct themselves in strict, full, complete and timely accordance with the terms of this Section.

(a) Any dispute to be arbitrated pursuant to the provisions of this Section shall be determined by binding arbitration before a single arbitrator (the "Arbitrator") under the auspices of the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). Such arbitration shall be initiated by either party, within thirty days after either party sends written notice (the "Arbitration Notice") of a demand to arbitrate by registered or certified mail to the other party and to AAA. The Arbitration Notice shall contain a description of the subject matter of the arbitration, the dispute with respect thereto, the amount involved, if any, and the remedy or determination sought. The parties may agree on the selection of an Arbitrator.

(b) The arbitration shall be conducted in Bernalillo County metropolitan area and, unless otherwise agreed by the parties must be completed within 180 days. Any party may be represented by counsel or another authorized representative. In rendering a decision, the Arbitrator shall determine the rights and obligations of the parties according to the substantive and procedural laws of New Mexico and the terms and provisions of this Agreement. The decision shall be conclusive and binding, and it may thereafter be confirmed as a judgment by the Second Judicial District Court, Bernalillo County, New Mexico in accordance with the New Mexico Uniform Arbitration Act. The Arbitrator may award injunctive relief. The Arbitrator may award costs, including without limitation, attorneys' fees, and expert and witness costs, to the prevailing party, if any as determined by the Arbitrator in his or her discretion. A party shall be determined by the Arbitrator to be the prevailing party if its proposal for the resolution of the dispute in the discretion of the Arbitrator was closest to that adopted by the Arbitrator.

## **ARTICLE XII TITLE**

**Section 12.1. Title to School Site.** During the Term, legal title to the School Site shall be in Lessor.

**Section 12.2. Public Property.** Upon approval of this Agreement by the Department and execution of this Agreement by the parties pursuant to the Public School Lease Purchase Act, the School Site shall be considered to be a public property pursuant to Section 22-26A-5.l(B) NMSA 1978.

## **ARTICLE XIII**

### **HAZARDOUS MATERIALS LAWS**

**Section 13.1. Compliance with all Hazardous Materials Laws.** As of the Commencement Date, Lessee, shall at all times keep and maintain the School Site in compliance with and shall not cause or permit the School Site or any activities conducted thereon to be in violation of any federal, state or local law, ordinance or regulation relating to commercial or industrial hygiene, environmental safety or the environmental conditions on, under or about the School Site, including, but not limited to, air, soil, subsurface and ground water conditions. Neither party shall permit any subtenant or other occupant of the School Site, except in accordance with applicable Hazardous Materials laws as hereinafter defined, to use, generate, manufacture, store, produce, release, discharge, dispose of or otherwise permit the presence of, on, under or about the premises or transport to or from the School Site any explosives (flammable or otherwise), radioactive materials, pollutants, contaminants, hazardous wastes, hazardous air pollutants, toxic substances or related materials, including, without limitation, any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous pollutants," or "toxic substances" under any applicable federal or state laws or regulations (collectively referred to hereinafter as "Hazardous Materials"). Hazardous materials shall include petroleum products. Upon request of either party, the other party will prepare and provide such reports as will evidence compliance by the party with Hazardous Materials laws, and which will evidence that the School Site and the uses thereon are in compliance with Hazardous Materials Laws. Either party shall immediately advise the other party in writing of its discovery of or receipt of notice of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened pursuant to any applicable federal, state or local laws, ordinances, regulations, orders or publications relating to any Hazardous Materials affecting the School Site ("Hazardous Materials Laws"); (ii) any use, generation, manufacture, production, release, discharge, storage or disposal of Hazardous Materials, or substantial threat of any of the foregoing, on, under or about the School Site; (iii) all claims made or threatened by any third party against a party or the School Site relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials (the matters set forth in clauses (i) and (iii) above are hereinafter referred to as "Hazardous Materials Claims"); and (iv) any occurrence or condition on any property adjoining or in the vicinity of the School Site that could cause the School Site to be subject to any restrictions on the ownership, Completion, transferability or use of the premises under any Hazardous Materials Law. Lessor warrants that, to the best of his knowledge, all hazardous materials laws were complied with during the time of his ownership of the property prior to executive of this Agreement.

**Section 13.2. Lessee's Responsibility.** Barring fraud by the Lessor upon and after issuance of the Certificate of Occupancy and acceptance of the School Site by the Lessee, Lessee shall be solely responsible to pay or otherwise satisfy any claim, written notice or demand, penalty, fine, settlement, loss, damage, cost, expense or liability made against Lessor or Lessee directly or indirectly arising out of or attributable to the violation by Lessee of any Hazardous Materials Law, orders, written notice or demand of governmental authorities, or the use, generation, manufacture, storage, release, threatened release, discharge, disposal, production, abatement or presence of Hazardous Materials on, under or about the premises including, without limitation: the costs of any required or necessary investigation, repair, cleanup or detoxification of the School Site, and the preparation and implementation of any closure, abatement, containment, remedial or other required plan and shall to the extent allowable by law applicable to public schools, indemnify Lessor and hold Lessor harmless from any such claim, demand, penalty, fine, settlement, loss, damage, cost, expense or liability subject to the limitations and waivers contained in the New Mexico Tort Claims Act and any insurance coverage issued pursuant thereto.

**Section 13.3. Remedial Action Required.** Without the other party's prior written consent, which shall not be unreasonably withheld, a party shall not take any remedial action in response to the presence of any Hazardous Materials on, under, or about the School Site, nor enter into any settlement agreement, consent decree, or other compromise in response to any Hazardous Materials claim, which remedial action, settlement, consent or compromise might, in the other party's reasonable judgment, impair the value of party's fee interest in the School Site; provided, however, that prior consent shall not be necessary in the event that: (i)(A) the presence of Hazardous Materials on, under, or about the School Site either poses an immediate threat or is of such a nature that an immediate remedial response is necessary; or (B) any delay in taking such remedial action would result in the imposition of periodic or daily fines; and (C) such action is required by government order; and (ii) it is not possible to obtain the other party's consent before taking such action; provided that in such event notice shall be given as soon as practicable of any action so taken. Each party agrees not to withhold its consent, where such consent is required hereunder, if either (i) a particular remedial action is ordered by a court of competent jurisdiction, or (ii) the party establishes to the reasonable satisfaction of the other party that there is no reasonable alternative to such remedial action that would result in less impairment to the value of the party's interest in the School Site.

**Section 13.4. Survival of Lessee's Obligations and Liabilities.** Lessee's obligations and liabilities hereunder with respect to Hazardous Materials Claims arising from Lessee's actions shall survive the expiration or other termination of this Agreement.

**ARTICLE XIV**  
**ADMINISTRATION PROVISIONS**

**Section 14.1 Notices.** All notices required under this Agreement shall be in writing, signed by the party or agent sending them, and (i) delivered personally, (ii) sent by registered or certified mail, (iii) sent by a recognized overnight express mail carrier, or (iv) sent by facsimile, if a copy is sent by one of methods (i), (ii) or (iii) as soon as practicable thereafter, addressed to Lessor or Lessee, as the case may be, at the following addresses (or such other addresses as either party may give by notice conforming with this Section 14.1), and such notices shall be effective on the date of receipt thereof.

Lessor:

Tierra Adentro Foundation  
c/o Diego Gallegos  
1905 Mountain Rd. N.W.  
Albuquerque, NM 87104  
Also please send notice to:  
Arthur Melendres  
amelendres@modrall.com

Also please send notice to:  
Clearinghouse CDFI  
23861 El Toro Blvd., Ste 401  
Lake Forest, CA 92630  
Attn: Loan Servicing

Lessee:

Tierra Adentro Charter School  
c/o Theresa Archuleta  
1905 Mountain Rd. N.W.  
Albuquerque, NM 87104

**Section 14.2. Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon Lessor and Lessee and their respective administrators, successors and assigns.

**Section 14.3. Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 14.4. Amendments, Changes and Modifications.** This Agreement may be amended or any of its terms modified only by a written amendment authorized and executed by both Lessee and Lessor. Amendments to this Agreement, except amendments that would improve the building or other real property without additional financial obligations to the Lessee, shall be approved by the Department pursuant to 22-26A-5(L) NMSA 1978.

**Section 14.5. Further Assurances and Corrective Instruments.** Lessor and Lessee agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

**Section 14.6. Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 14.7. Applicable Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico, with regard to conflicts of laws rules.

**Section 14.8. Lessor and Lessee Representatives.** Whenever under the provisions of this Agreement the approval of Lessor or Lessee is required, or Lessor or Lessee is required to take some action at the request of the other, such approval of such request may be given for Lessor by a Lessor Representative and for Lessee by a Lessee Representative, and any party hereto shall be authorized to rely upon any such approval or request.

**Section 14.9. Integration.** This Agreement contains all of the agreements of Lessee and Lessor respecting the subject matters hereof, and all prior negotiations are merged herein.

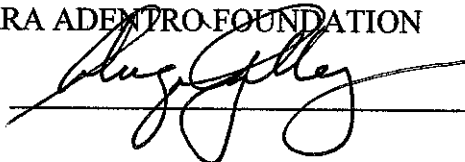
**Section 14.10. Captions.** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Agreement.

**Section 14.11. Business Days.** If the day upon which any action required by the Agreement shall fall on a Saturday, Sunday or banking holiday, then such actions shall be deemed timely if made or taken on the next succeeding business day.

**Section 14.12. Administrative Approval.** Pursuant to Section 22-26A-4 NMSA 1978, the parties to this acknowledge that they have obtained prior written consent from the Public Education Department prior to executing this Agreement. A copy of said approval is attached to this Agreement as Exhibit "E".

IN WITNESS WHEREOF, Lessor has caused this Agreement to be executed in its corporate name by its duly authorized officers; and Lessee has caused this Agreement to be executed in its name by its duly authorized officers, as of the date first above.

LESSOR:  
TIERRA ADENTRO FOUNDATION

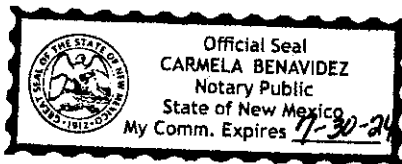
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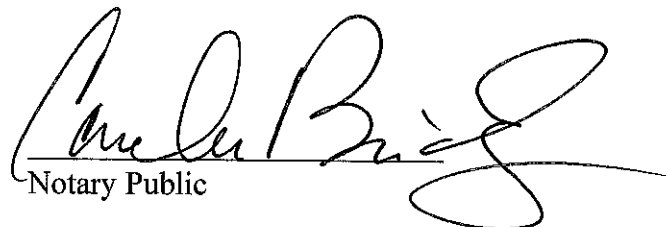
LESSEE:  
TIERRA ADETRO CHARTER SCHOOL

By:   
Its: Governing Council President

STATE OF NEW MEXICO                    )  
  ) ss.  
COUNTY OF BERNALILLO                )

This instrument was acknowledged before me on Aug 24, 2020, by Diego Gutierrez as Tierra Adentro Foundation, Individually.

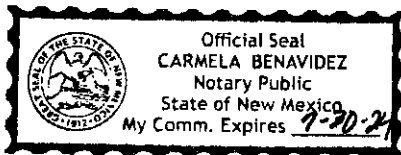


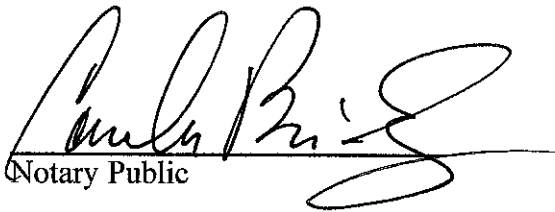
  
Notary Public

My commission expires:  
July 30, 2024

STATE OF NEW MEXICO           )  
  ) ss.  
COUNTY OF BERNALILLO       )

This instrument was acknowledged before me on Aug. 24, 2020, by  
SANDEA MARTINEZ as President of Tierra Adentro Charter School, Governing Council.



  
Notary Public

My commission expires:  
July 30, 2024



## **EXHIBIT A -LEGAL DESCRIPTION OF LAND**

TR 2D1B PLAT OF TRACTS 2-D-1-A AND 2-D-1-B ARBOLERA DE VIDA  
UNIT 2B (BEING A REPLAT OF TRACT 2-D-1, ARBOLERA DE VIDA

**EXHIBIT B - APPRAISAL**  
(See full Document Attached)



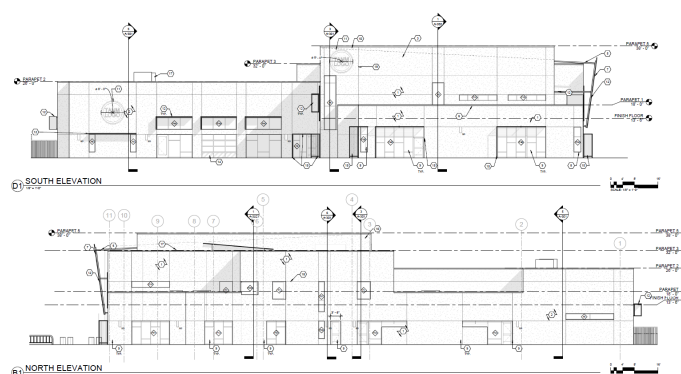
## TIERRA ADENTRO CHARTER SCHOOL FOUNDATION

1701 Bellamah Avenue Northwest  
Albuquerque, New Mexico 87104

### APPRAISAL REPORT

Date of Report: May 6, 2020

Colliers File #: ABQ200077



PREPARED FOR  
Deidre Williams  
Commercial Loan Processor  
Clearinghouse CDFI  
23861 El Toro Road  
Suite 401  
Lake Forest, CA 92630

PREPARED BY  
**COLLIERS INTERNATIONAL**  
VALUATION & ADVISORY SERVICES

# LETTER OF TRANSMITTAL

COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES



5051 Journal Center NE, Suite 200  
Albuquerque, NM 87109  
MAIN +1 505 880 7053  
FAX +1 505 923 3853  
WEB [www.colliers.com/valuationadvisory](http://www.colliers.com/valuationadvisory)

May 6, 2020

Deidre Williams  
Commercial Loan Processor  
**Clearinghouse CDFI**  
23861 El Toro Road  
Suite 401  
Lake Forest, CA 92630

**RE: Tierra Adentro Charter School Foundation**

1701 Bellamah Avenue Northwest  
Albuquerque, New Mexico 87104

Colliers File #: ABQ200077

Ms. Williams:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by Clearinghouse CDFI and Colliers International Valuation & Advisory Services.

At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Prospective Value Upon Completion and Stabilization of the subject property's leasehold interest. As the subject property is proposed and located on a ground-leased site, As-Is Market Value is estimated at zero. There is no estimated market leasehold advantage to the lessee based on the ground lease in place. The subject is considered stabilized as of the date of completion. The following table conveys the final opinions of market value of the subject property that are developed within this appraisal report:

VALUE TYPE	INTEREST APPRAISED	DATE OF VALUE	VALUE
As-Is Market Value	Leasehold	April 16, 2020	Zero
Prospective Value Upon Completion/ Stabilization	Leasehold	April 16, 2021	\$8,650,000

The subject is a proposed single-building two-story charter school property totaling 38,101 SF of NRA located on a 1.86-acre site at 1701 Bellamah Avenue Northwest in Albuquerque, New Mexico. The subject will have a

maximum allowable capacity for 430 students. The subject is comprised of offices, classrooms, music studio, multi-purpose room, science labs, commercial kitchen and locker rooms. The subject is generally positioned in the Downtown submarket just south of Interstate 40 next to Sawmill Village, a mixed-use retail/apartment complex. The improvements will be built in 2021, will be in good condition (brand new) and have a remaining economic life of 50 years based on our estimate.

The subject property has a single-tenant design that will be 100% owner-occupied by the Tierra Adentro Charter School.

The title to the subject site is recorded in the name of Sawmill Community Land Trust, who acquired title to the property from the City of Albuquerque within the last 6 months, as recorded in Bernalillo County Deed Records. The acquisition was part of the overall development agreement to lease the land to a charter school. Tierra Adentro Charter School Foundation leases the land under a 50-year triple net ground lease which covers the subject site and the adjacent site to the south. The total lease payment is \$35,701 per year. Tierra Adentro Charter School Foundation is responsible to pay 70% of this amount (based on site size), or \$26,414 per year. The lease escalates by 3% per year and there are two, 25-year extension options. The ground lease will reportedly begin in 2022 and expire in 2072. The Foundation plans to construct a 38,101 SF charter school at a reported cost of \$7,912,685 or \$207.68/SF including all hard costs, soft costs, contingencies and taxes. The anticipated construction period is 12 months.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) standards.

The COVID-19 virus (aka coronavirus) is a serious illness and pandemic that has affected the world and more specifically the United States. The effects thus far include volatility in the stock and capital markets. The impact to demand and ultimately values for real estate is also developing, although there is a wide range of viewpoints with very little consensus on the potential impact. The range of views from market participants suggests the risk premium is widening and we should analyze implications to both near-term and longer-term valuation assumptions. Real estate as an investment type historically takes a longer period of time to be impacted in comparison to alternative investment types, such as stocks and bonds. CIVAS professionals have consulted with market participants in preparation of this assignment to understand and best address how the subject property may be impacted. Within the school/university real estate market sector, there are currently no indicators that property values are fluctuating. Although many facilities are not currently being utilized in lieu of online classrooms and virtual learning, the facilities will be utilized physically in the future.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assignment specific-assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinions of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

**EXTRAORDINARY ASSUMPTIONS**

We assume herein that the subject will be completed in substantial conformance with the plans and construction budget data shared with the appraisers. Should the subject property be completed in a manner contrary to the plans and construction budget shared with the appraisers, the market value opinions herein could be impacted. Additionally, a copy of the ground lease was not made available to the appraisers. At the request of the client, we have relied upon the information shared by Tierra Adentro Charter School Foundation. Should the ground lease information prove to differ from the ground lease data provided by The Foundation, the market value opinions herein could be impacted.

**HYPOTHETICAL CONDITIONS**

No Hypothetical Conditions were made for this assignment.

**RELIANCE LANGUAGE**

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

**COLLIERS INTERNATIONAL  
VALUATION & ADVISORY SERVICES**



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## **CERTIFICATION**

## **ASSUMPTIONS & LIMITING CONDITIONS**

## **ADDENDA**

Cost Budget

Valuation Glossary

Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

**GENERAL INFORMATION**

<b>Property Name</b>	Tierra Adentro Charter School Foundation
<b>Property Type</b>	Office - Charter School
<b>Address</b>	1701 Bellamah Avenue Northwest
<b>City</b>	Albuquerque
<b>State</b>	New Mexico
<b>Zip Code</b>	87104
<b>County</b>	Bernalillo
<b>Core Based Statistical Area (CBSA)</b>	Albuquerque, NM
<b>Market</b>	Albuquerque
<b>Submarket</b>	Downtown Albuquerque
<b>Latitude</b>	35.101758
<b>Longitude</b>	-106.664876
<b>Number Of Parcels</b>	1
<b>Assessor Parcel</b>	101305934900440211
<b>Total Taxable Value</b>	\$56,461
<b>Census Tract Number</b>	0025.00

**SITE INFORMATION**

<b>Land Area</b>	<b>Acres</b>	<b>Square Feet</b>
Usable	1.86	81,022
Unusable	0.00	0
Excess	0.00	0
<u>Surplus</u>	<u>0.00</u>	<u>0</u>
<b>Total</b>	<b>1.86</b>	<b>81,022</b>
<b>Topography</b>	Level at street grade	
<b>Shape</b>	Irregular	
<b>Access</b>	Average	
<b>Exposure</b>	Average	
<b>Current Zoning</b>	Planned Development Zone District (PD)	
<b>Flood Zone</b>	Zone X (Shaded)	
<b>Seismic Zone</b>	Moderate Risk	

**IMPROVEMENT INFORMATION**

<b>Net Rentable Area (NRA)</b>	38,101 SF
<b>Gross Building Area SF (GBA)</b>	38,101 SF
<b>Floor Plate SF</b>	21,096 SF
<b>Total Number Of Stories</b>	2
<b>Year Built</b>	2021 (Proposed)
<b>Quality</b>	Good
<b>Condition</b>	Good
<b>Air-Conditioned %</b>	100%
<b>Type Of Construction</b>	Steel, wood and masonry
<b>Land To Building Ratio</b>	2.1 : 1
<b>Site Coverage Ratio</b>	26.0%
<b>Parking Type</b>	Surface
<b>Number of Parking Spaces</b>	64
<b>Parking Ratio (Spaces/1,000SF NRA)</b>	1.7/1,000 SF NRA

**HIGHEST & BEST USE**

<b>As Vacant</b>	Development Of An Office Or School Property As Market Conditions Warrant
<b>As Proposed</b>	Development Of An Office Or School Property

**EXPOSURE TIME & MARKETING PERIOD**

<b>Exposure Time</b>	12 Months or Less
<b>Marketing Period</b>	12 Months or Less

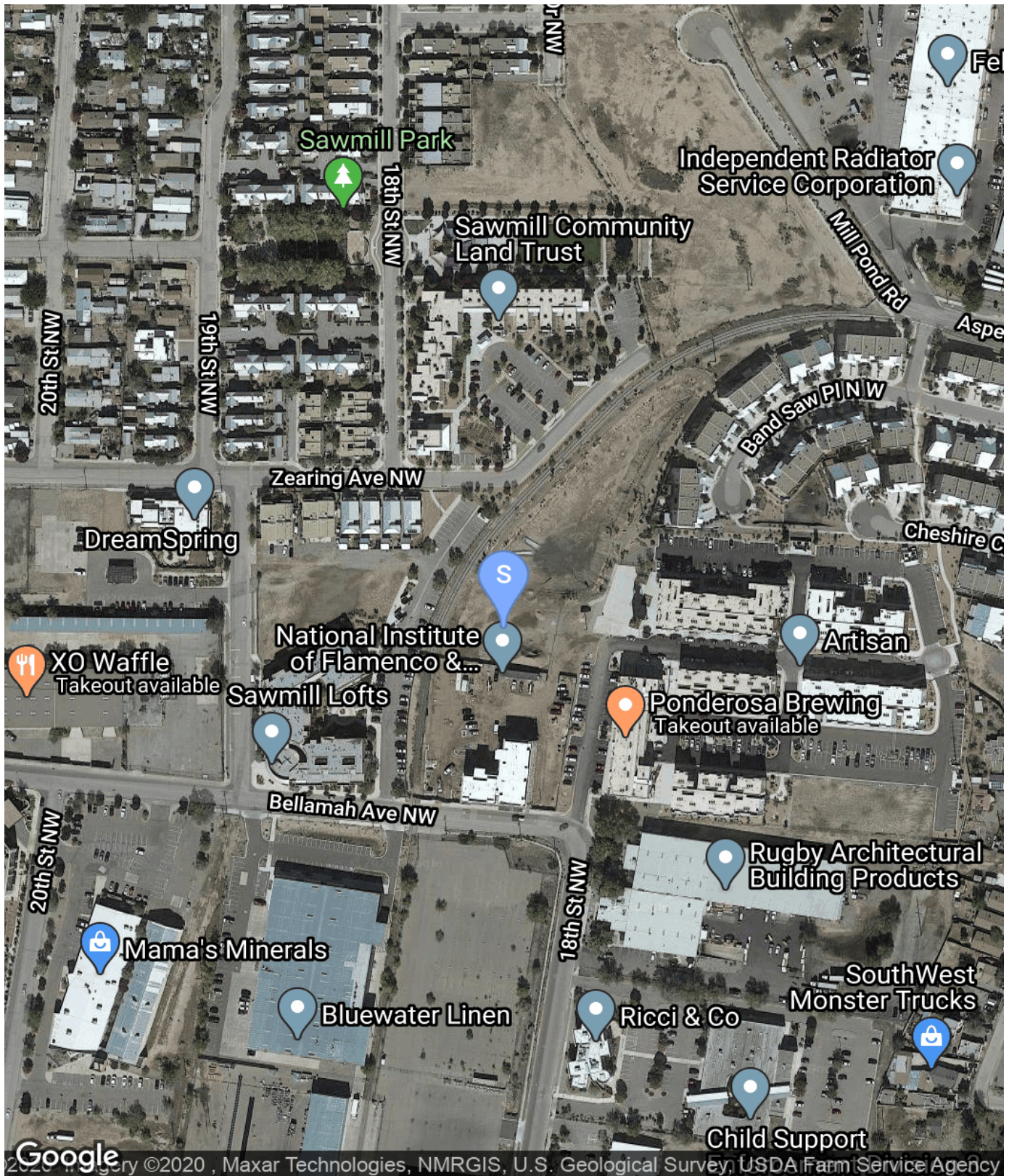
**TENANCY INFORMATION**

<b>Tenancy</b>	Single-Tenant Owner-Occupied
<b>Occupancy</b>	100.0%
<b>Occupied SF</b>	38,101 SF
<b>Vacant SF</b>	0 SF
<b>Number of Tenants in Occupancy</b>	1
<b>Number Of Vacant Spaces</b>	0
<b>Direct Capitalization NOI</b>	\$583,525
<b>Total Market Income (Occupied Space)</b>	\$17.50/SF
<b>Space Leased To Credit Tenants</b>	0 SF

**VALUATION SUMMARY**

VALUATION INDICES	AS-IS MARKET VALUE	PROSPECTIVE VALUE UPON COMPLETION/ STABILIZATION
<b>INTEREST APPRAISED</b>	<b>LEASEHOLD</b>	<b>LEASEHOLD</b>
<b>DATE OF VALUE</b>	<b>APRIL 16, 2020</b>	<b>APRIL 16, 2021</b>
<b>INCOME CAPITALIZATION APPROACH</b>		
<b>Direct Capitalization</b>	-	<b>\$7,780,000</b>
Direct Capitalization \$/SF	-	\$204/SF
NOI Proforma	-	\$583,525
NOI \$/SF	-	\$15.32/SF
Capitalization Rate	-	7.50%
<b>INCOME CONCLUSION</b>	-	<b>\$7,780,000</b>
Income Conclusion \$/SF	-	\$204/SF
<b>SALES COMPARISON APPROACH</b>		
<b>SALES CONCLUSION</b>	-	<b>\$8,580,000</b>
Sales Conclusion \$/SF	-	\$225/SF
<b>COST APPROACH</b>		
<b>COST CONCLUSION</b>	-	<b>\$8,710,000</b>
Cost Conclusion \$/SF	-	\$229/SF
<b>FINAL VALUE CONCLUSION</b>		
<b>FINAL VALUE</b>	-	<b>\$8,650,000</b>
\$/SF	-	\$227/SF
Implied Capitalization Rate	-	6.75%









**SITE VIEW LOOKING NORTHWEST**



**SITE VIEW LOOKING SOUTH**



**SITE VIEW LOOKING EAST**



**SITE VIEW**

## PROPERTY IDENTIFICATION

The subject is a proposed single-building two-story charter school property totaling 38,101 SF of NRA located on a 1.86-acre site at 1701 Bellamah Avenue Northwest in Albuquerque, New Mexico. The subject will have a maximum allowable capacity for 430 students. The subject is comprised of offices, classrooms, music studio, multi-purpose room, science labs, commercial kitchen and locker rooms. The subject is generally positioned in the Downtown submarket just south of Interstate 40 next to Sawmill Village, a mixed-use retail/apartment complex. The improvements will be built in 2021, will be in good condition (brand new) and have a remaining economic life of 50 years based on our estimate. The assessor's parcel number is: 101305934900440211.

The legal description of the subject property is as follows:

TR 2D1B PLAT OF TRACTS 2-D-1-A AND 2-D-1-B ARBOLERA DE VIDA

UNIT 2B (BEING A REPLAT OF TRACT 2-D-1, ARBOLERA DE VIDA

## CLIENT IDENTIFICATION

The client of this specific assignment is Clearinghouse CDFI.

## PURPOSE

The purpose of this appraisal is to develop opinions of the As-Is Market Value and Prospective Value Upon Completion of the subject property's leasehold interest.

## INTENDED USE

The intended use of this appraisal is only for use in a potential loan. The report is not intended for any other use.

## INTENDED USERS

Clearinghouse CDFI is the only intended user of this report. Use of this report by third parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

## ASSIGNMENT DATES

Date of Report	May 6, 2020
Date of Inspection	April 16, 2020
Valuation Date - As-Is	April 16, 2020
Valuation Date - Prospective Upon Completion	April 16, 2021

## PERSONAL INTANGIBLE PROPERTY

No personal property or intangible items are included in this valuation.

## PROPERTY AND SALES HISTORY

### Current Owner

The title to the subject site is recorded in the name of Sawmill Community Land Trust, who acquired title to the property from the City of Albuquerque within the last 6 months, as recorded in Bernalillo County Deed Records. The acquisition was part of the overall development agreement to lease the land to a charter school. Tierra Adentro Charter School Foundation leases the land under a 50-year triple net ground lease which covers the subject site and the adjacent site to the south. The total lease payment is \$35,701 per year. Tierra Adentro Charter School Foundation is responsible to pay 70% of this amount (based on site size), or \$26,414 per year. The lease escalates by 3% per year and there are two, 25-year extension options. The ground lease will reportedly begin in 2022 and expire in 2072. The Foundation plans to construct a 38,101 SF charter school at a

reported cost of \$7,912,685 or \$207.68/SF including all hard costs, soft costs, contingencies and taxes. The anticipated construction period is 12 months.

### Three-Year Sales History

Research of the applicable public records, private data services and an interview of the current owner and/or broker revealed that the subject property has not transferred during the past three years of the effective date of value stated in this report.

### Subject Sale Status

The subject is not listed for sale.

## DEFINITIONS

This section summarizes the definitions of value, property rights appraised, and value scenarios that are applicable for this appraisal assignment. All other applicable definitions for this assignment are located in the Valuation Glossary section of the Addenda.

### DEFINITIONS OF VALUE

Given the scope and intended use of this assignment, the following definition of value is applicable:

#### Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the leasehold interest.

#### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.<sup>2</sup>

### VALUE SCENARIOS

#### As-Is Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.<sup>3</sup>

<sup>1</sup> Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

<sup>2</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

<sup>3</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

**Prospective Value**

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy.<sup>4</sup>

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<sup>4</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015



## INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

- › The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.
- › The appraisers confirmed and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements. This process also included estimating the remaining economic life of the improvements, analysis of the subject's site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.
- › The appraisers completed an office market analysis that included market and sub-market overviews. The Albuquerque market and Downtown Albuquerque sub-market overviews analyzed supply/demand conditions using vacancy, absorption, supply change and rent change statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.
- › The appraisers conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Proposed. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."
- › The appraisers confirmed and analyzed financial features of the subject property including ground lease data, and tax and assessment records. This information as well as trends established by confirmed market indicators was used to forecast performance of the subject property.
- › Selection of the valuation methods was based on the identifications required in USPAP relating to the intended use, intended users, definition and date of value, relevant property characteristics and assignment conditions. As a result, this appraisal developed the Income (Direct Capitalization) and Sales Comparison approaches to value. The resulting value indicators were reconciled within the Analysis of Value Conclusions section. The appraisal develops opinions of the As-Is Market Value and Prospective Value Upon Completion of the subject property's leasehold interest. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.
- › Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are fully described within this document.
- › We understand the Competency Rule of USPAP and the authors of this report meet the standards.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.

## SOURCES OF INFORMATION

The following sources were contacted to obtain relevant information:

SOURCES OF INFORMATION	
ITEM	SOURCE
Tax Information	Bernalillo County Tax Assessor
Zoning Information	City of Albuquerque Zoning Code
Site Size Information	Bernalillo County Tax Assessor
Building Size Information	Building Plans and Construction Budget
New Construction	City of Albuquerque / Bernalillo County
Flood Map	InterFlood
Demographics	Pitney Bowes/Gadberry Group - GroundView®
Comparable Information	See Comparable Datasheets for details
Legal Description	Bernalillo County Property Records
Other Property Data	Bernalillo County Property Records

## SUBJECT PROPERTY INSPECTION

The following table illustrates the Colliers International professionals involved with this appraisal report and their status related to the property inspection.

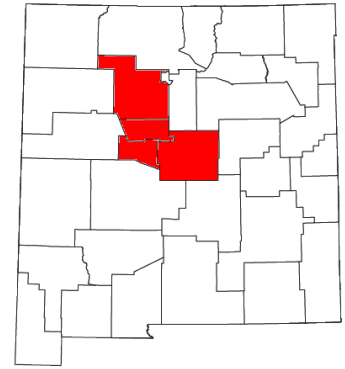
SUBJECT PROPERTY INSPECTION			
APPRAISER	INSPECTED	EXTENT	DATE OF INSPECTION
Jared Michnovicz	Yes	Site Only	April 16, 2020
Conner Marshall, MAI	No	-	-





## INTRODUCTION

The Albuquerque, NM Metropolitan Statistical Area is in central New Mexico. According to the 2010 census the population was 887,077. The Albuquerque, NM MSA is comprised of four counties: Bernalillo, Sandoval, Torrance, and Valencia. The region contains five principal cities: Albuquerque, Belen, Moriarty, Rio Communities, and Rio Rancho. The Albuquerque, NM MSA is home to four towns, and several villages and census designated places. Highways intersecting the area include Interstates 25, and 40, and U.S. Routes 60, 285, and 550. The MSA is home to 12 Indian reservations in Sandoval County, and several nationally protected areas, including Cibola National Forest, Santa Fe National Forest, and Petroglyph National Monument.



## DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by Pitney Bowes/Gadberry Group - GroundView®, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

### Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Albuquerque metropolitan area had a 2019 total population of 918,709 and experienced an annual growth rate of 0.4%, which was higher than the New Mexico annual growth rate of 0.2%. The metropolitan area accounted for 43.8% of the total New Mexico population (2,098,286). Within the metropolitan area the population density was 99 people per square mile compared to the lower New Mexico population density of 17 people per square mile and the lower United States population density of 92 people per square mile.

POPULATION			
YEAR	US	NM	CBSA
2010 Total Population	308,745,538	2,059,179	887,077
2019 Total Population	329,429,186	2,098,286	918,709
2024 Total Population	340,686,154	2,112,429	932,620
2010 - 2019 CAGR	0.7%	0.2%	0.4%
2019 - 2024 CAGR	0.7%	0.1%	0.3%

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION DENSITY			
YEAR	US	NM	CBSA
2019 Per Square Mile	92	17	99
2024 Per Square Mile	95	17	100

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2019 median age for the metropolitan area was 38.59, which was 0.90% older than the United States median age of 38.25 for 2019. The median age in the metropolitan area is anticipated to grow by 0.29% annually, increasing the median age to 39.16 by 2024.

MEDIAN AGE			
YEAR	US	NM	CBSA
2019	38.25	38.15	38.59
2024	38.90	38.83	39.16
CAGR	0.34%	0.36%	0.29%

Source: Pitney Bowes/Gadberry Group - GroundView®

## Education

The Albuquerque, NM MSA has two institutions of higher education: The University of New Mexico (UNM) and Central New Mexico Community College (CNM), both based in the city of Albuquerque. The University of New Mexico has an annual enrollment of approximately 27,300 students and offers diverse certificate programs in a variety of fields. The institution has an endowment of approximately \$393.2 million and is home to four museums and eight buildings listed on the National Register of Historic Places. Central New Mexico Community College offers 47 associate degrees. CNM has an annual enrollment of approximately 28,000 students, and a workforce of 330 full time academic staff. The college has four campus locations and a 215,259 square feet Workforce Training Center.

## Household Trends

The 2019 number of households in the metropolitan area was 360,359. The number of households in the metropolitan area is projected to grow by 0.5% annually, increasing the number of households to 369,112 by 2024. The 2019 average household size for the metropolitan area was 2.51, which was 3.41% smaller than the United States average household size of 2.60 for 2019. The average household size in the metropolitan area is anticipated to decrease by 0.17% annually, reducing the average household size to 2.49 by 2024.

NUMBER OF HOUSEHOLDS			
YEAR	US	NM	CBSA
2019	123,740,541	814,897	360,359
2024	127,610,429	830,422	369,112
CAGR	0.6%	0.4%	0.5%

Source: Pitney Bowes/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE			
YEAR	US	NM	CBSA
2019	2.60	2.52	2.51
2024	2.61	2.49	2.49
CAGR	0.07%	(0.24%)	(0.17%)

Source: Pitney Bowes/Gadberry Group - GroundView®

The Albuquerque metropolitan area had 32.41% renter occupied units, compared to the lower 31.39% in New Mexico and the higher 34.87% in the United States.

HOUSING UNITS			
	US	NM	CBSA
Owner Occupied	65.13%	68.61%	67.59%
Renter Occupied	34.87%	31.39%	32.41%

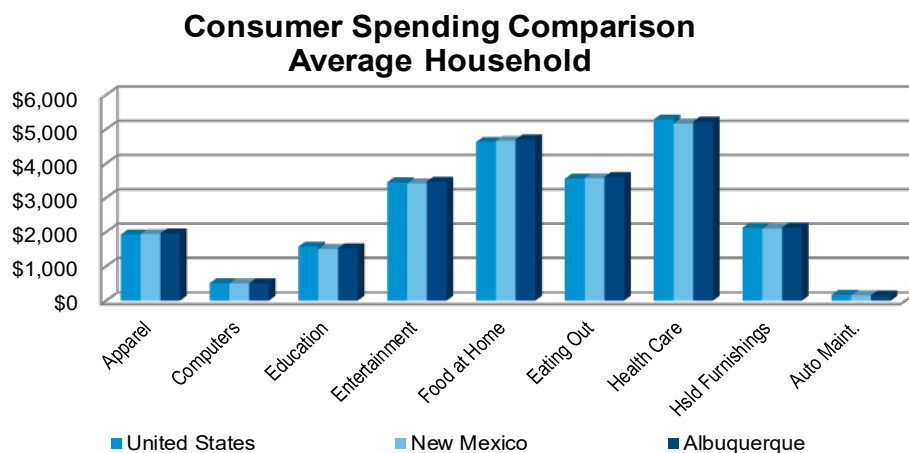
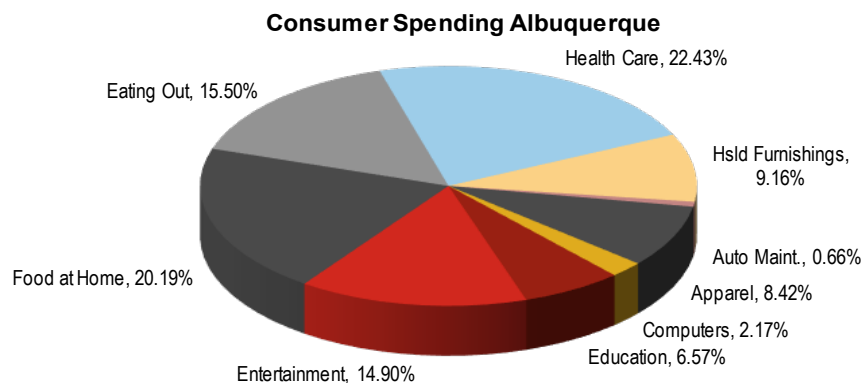
Source: Pitney Bowes/Gadberry Group - GroundView®

The 2019 median household income for the metropolitan area was \$53,563, which was 12.1% lower than the United States median household income of \$60,918. The median household income for the metropolitan area is projected to grow by 3.8% annually, increasing the median household income to \$64,473 by 2024.

As is often the case when the median household income levels are lower than the national average, the cost of living index is also lower. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Albuquerque, NM MSA's cost of living is 93.8 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	NM	CBSA
2019	\$60,918	\$48,964	\$53,563
2024	\$73,705	\$59,119	\$64,473
CAGR	3.9%	3.8%	3.8%

Source: Pitney Bowes/Gadberry Group - GroundView®



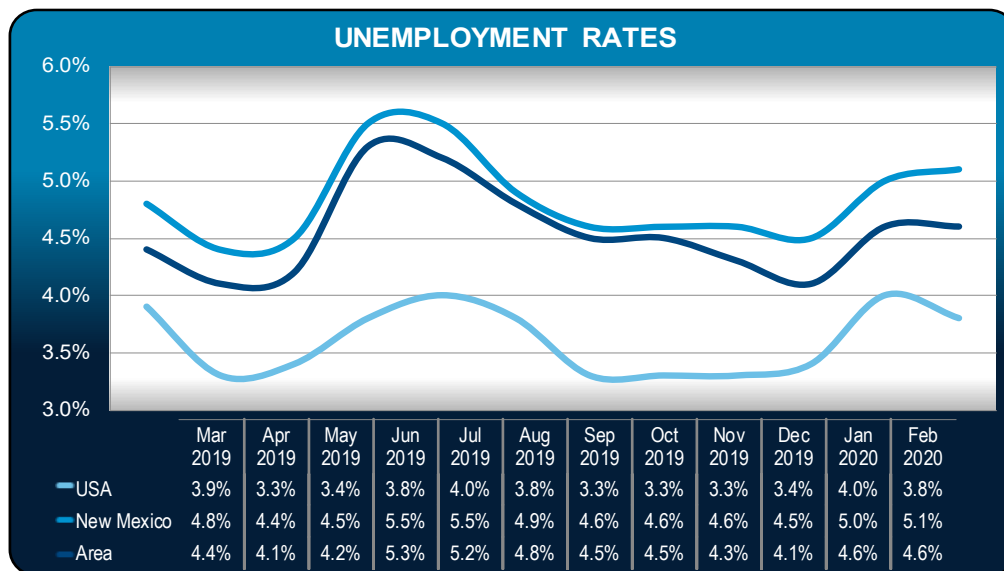
## EMPLOYMENT

Total employment has increased annually over the past decade in the state of New Mexico by 0.6% and increased annually by 0.7% in the area. From 2018 to 2019 unemployment has not experienced any change in New Mexico and in the area. In the state of New Mexico unemployment has increased over the previous month by 0.1% and has not experienced any change in the area.

## EMPLOYMENT &amp; UNEMPLOYMENT STATISTICS 2010 - 2019

TOTAL EMPLOYMENT					UNEMPLOYMENT RATE		
Year	New Mexico		Albuquerque, NM Metropolitan Statistical Area		United States*	New Mexico	Albuquerque, NM Metropolitan Statistical Area
	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2010	860,154	(1.1%)	390,669	4.8%	9.6%	8.1%	8.0%
2011	860,305	0.0%	389,437	(0.3%)	8.9%	7.5%	7.5%
2012	861,617	0.2%	387,764	(0.4%)	8.1%	7.1%	7.1%
2013	859,804	(0.2%)	387,442	(0.1%)	7.4%	6.9%	6.8%
2014	869,558	1.1%	391,613	1.1%	6.2%	6.7%	6.5%
2015	874,206	0.5%	395,115	0.9%	5.3%	6.5%	6.1%
2016	874,970	0.1%	400,675	1.4%	4.9%	6.6%	6.0%
2017	880,442	0.6%	404,197	0.9%	4.4%	5.9%	5.4%
2018	892,331	1.4%	409,511	1.3%	3.9%	4.9%	4.6%
2019	908,166	1.8%	416,701	1.8%	3.7%	4.9%	4.6%
<b>CAGR</b>	<b>0.6%</b>	<b>-</b>	<b>0.7%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: U.S. Bureau of Labor Statistics \*Unadjusted Non-Seasonal Rate



The preceding chart depicts unemployment trends in the region, New Mexico and the U.S. Overall levels of unemployment in the region experienced minor fluctuations throughout 2019 and the first months of 2020. By the end of February 2020, unemployment in the region was 0.5% lower than New Mexico's and 0.8% higher than the national average.

TOP EMPLOYERS		
EMPLOYER NAME	EMPLOYEES	INDUSTRY
Albuquerque Public School District	14,810	Education
Sandia National Laboratories	10,652	Professional/Scientific/Technical Services
Kirtland Air Force Base	10,125	Public Administration
Presbyterian Hospital	7,310	Healthcare/Social Assistance
City of Albuquerque	6,940	Public Administration
University of New Mexico Hospital	6,021	Healthcare/Social Assistance
State of New Mexico	4,950	Public Administration
University of New Mexico	4,210	Education
Lovelace Health System	4,000	Healthcare/Social Assistance
Bernalillo County	2,648	Public Administration

Source: <https://www.bermco.gov>

The preceding chart depicts the top employers in Bernalillo County. Education, public administration and professional/scientific/technical services are among the strongest industries that support the county's economy. Albuquerque Public School District is the top employer. With 14,810 professional, supervisory and support personnel employed in the county, it serves approximately 95,000 students in the educational system. Sandia National Laboratories is the second largest employer in the county. The facility is at Kirtland Air Force and is one of three National Nuclear Security Administration research and development laboratories. The laboratory employs 10,652 people and has approximately 700 students. The third largest employer is Kirtland Air Force Base. The United States Air Force Base is the largest installation in Air Force Global Strike Command and occupies 51,558 acres in southeast Albuquerque.

## AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

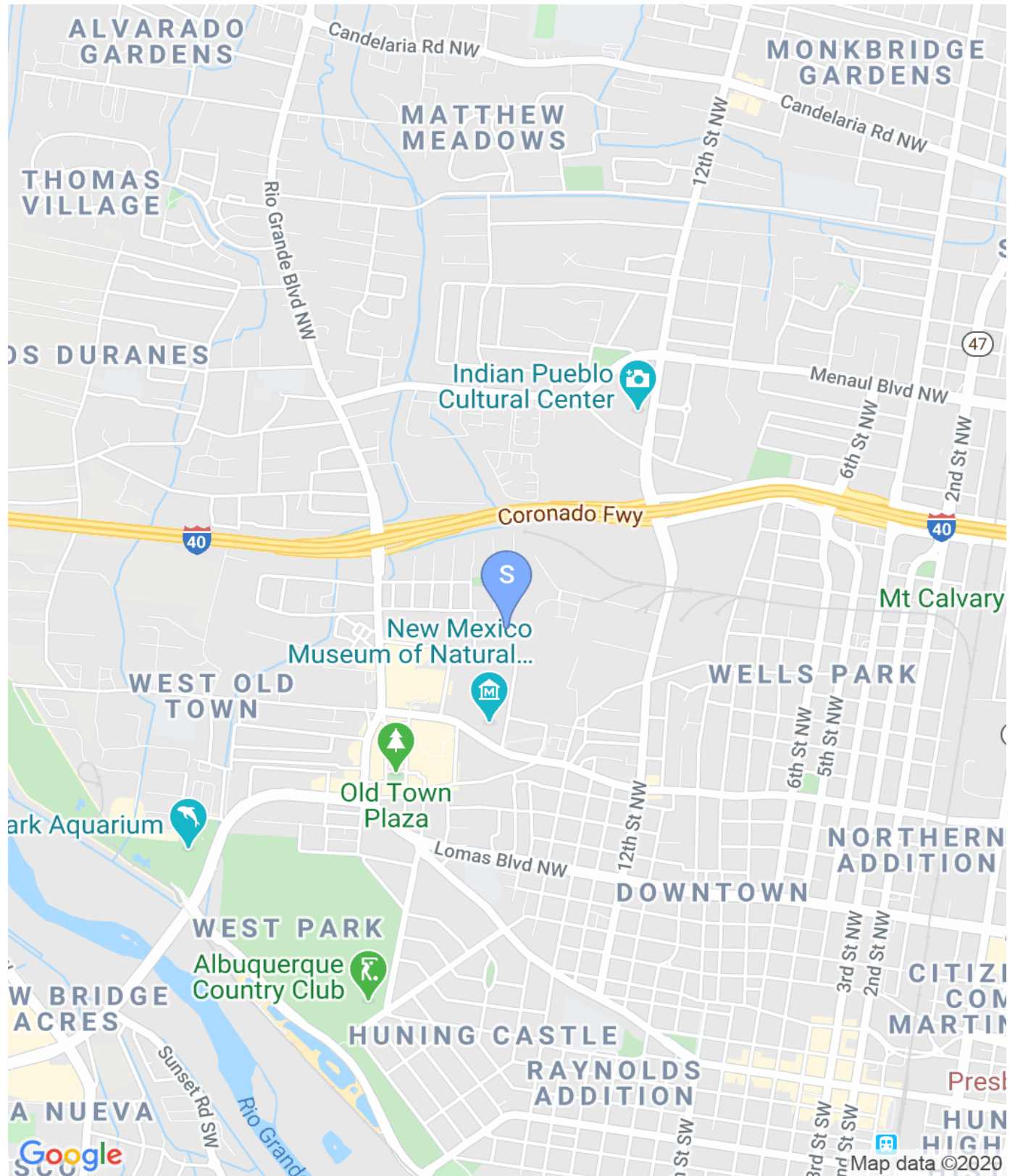
ALBUQUERQUE INTERNATIONAL SUNPORT AIRPORT (ABQ)		
YEAR	ENPLANED PASSENGERS	% CHG
2008	3,158,971	-
2009	2,881,798	(8.8%)
2010	2,828,420	(1.9%)
2011	2,768,435	(2.1%)
2012	2,630,574	(5.0%)
2013	2,477,783	(5.8%)
2014	2,354,184	(5.0%)
2015	2,323,850	(1.3%)
2016	2,341,719	0.8%
2017	2,412,328	3.0%
2018	2,647,269	9.7%

Source: U.S. Department of Transportation

## SUMMARY

The Albuquerque, NM MSA is home to a regional economy that has strong influences in the manufacturing, aerospace, and government industries. The region has a diverse and well positioned economic base as well as the presence of two main institutions of higher education that provide a skilled workforce. This should have a positive impact and will benefit growth in the regional economy for years to come.





## INTRODUCTION

In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

## LOCAL AREA PROFILE

The subject property is in Albuquerque, New Mexico, within Bernalillo County. According to the 2014 census, the population was 557,169. The city is the most populous in the state of New Mexico. The city is in the northern edge of the Chihuahuan Desert ecoregion, transected by the Rio Grande River, which passes through the city. Albuquerque is bordered by Rio Rancho to the north, the Sandia Mountains to the east, Isleta Pueblo to the south, and Tohajiilee Indian Reservation to the west. The city is served by Interstates 25 and 40 and State Routes 47, 423, and 556. Air transportation is provided by the Albuquerque International Airport in the southern portion of the city.

Albuquerque is home to several scientific research institutions, including the Kirtland Air Force Base, the National Museum of Nuclear Science & History, Sandia National Laboratories, and Lovelace Respiratory Research Institute. The city is also home to the International Balloon Fiesta, the largest gathering of hot air balloons in the world.

## DEMOGRAPHIC PROFILE

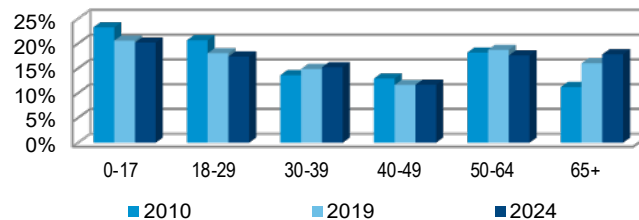
Below is a demographic study of the area, sourced by Pitney Bowes/Gadberry Group - GroundView®, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology(ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

## LOCAL AREA DEMOGRAPHICS

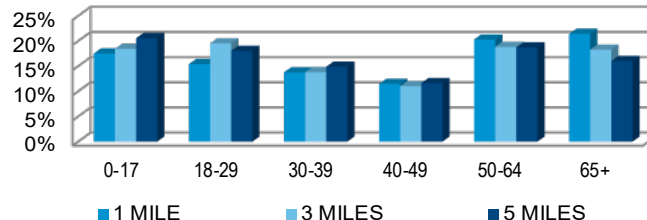
DESCRIPTION	1 MILE	3 MILES	5 MILES	DESCRIPTION	1 MILE	3 MILES	5 MILES
<b>POPULATION</b>				<b>AVERAGE HOUSEHOLD INCOME</b>			
2000 Population	11,455	87,710	218,766	2019	\$63,074	\$60,055	\$64,518
2010 Population	11,151	90,650	249,105	2024	\$77,005	\$72,860	\$78,352
2019 Population	11,647	91,369	251,102	Change 2019-2024	22.09%	21.32%	21.44%
2024 Population	11,758	91,380	251,634	<b>MEDIAN HOUSEHOLD INCOME</b>			
Change 2000-2010	(2.65%)	3.35%	13.87%	2019	\$42,510	\$37,863	\$45,203
Change 2010-2019	4.45%	0.79%	0.80%	2024	\$50,474	\$46,052	\$53,794
Change 2019-2024	0.95%	0.01%	0.21%	Change 2019-2024	18.73%	21.63%	19.01%
<b>POPULATION 65+</b>				<b>PER CAPITA INCOME</b>			
2010 Population	1,547	11,392	28,017	2019	\$29,866	\$26,593	\$27,186
2019 Population	2,498	16,714	40,302	2024	\$37,023	\$32,761	\$33,431
2024 Population	2,785	18,584	44,902	Change 2019-2024	23.96%	23.19%	22.97%
Change 2010-2019	61.47%	46.72%	43.85%	<b>2019 HOUSEHOLDS BY INCOME</b>			
Change 2019-2024	11.49%	11.19%	11.41%	<\$15,000	19.3%	19.1%	15.8%
<b>NUMBER OF HOUSEHOLDS</b>				\$15,000-\$24,999	14.5%	16.0%	13.4%
2000 Households	4,752	34,007	86,830	\$25,000-\$34,999	10.7%	11.6%	11.2%
2010 Households	5,082	37,294	101,423	\$35,000-\$49,999	10.0%	12.4%	14.0%
2019 Households	5,318	38,125	103,199	\$50,000-\$74,999	18.3%	16.2%	17.2%
2024 Households	5,455	38,719	104,731	\$75,000-\$99,999	10.1%	9.5%	10.5%
Change 2000-2010	6.94%	9.67%	16.81%	\$100,000-\$149,999	10.8%	8.8%	10.7%
Change 2010-2019	4.64%	2.23%	1.75%	\$150,000-\$199,999	2.3%	2.6%	3.5%
Change 2019-2024	2.58%	1.56%	1.48%	\$200,000 or greater	4.1%	3.8%	3.6%
<b>HOUSING UNITS (2019)</b>				<b>MEDIAN HOME VALUE</b>	\$178,714	\$168,154	\$169,966
Owner Occupied	2,883	20,722	60,169	<b>AVERAGE HOME VALUE</b>	\$222,966	\$224,023	\$210,894
Renter Occupied	2,472	17,443	43,109	<b>HOUSING UNITS BY UNITS IN STRUCTURE</b>			
<b>HOUSING UNITS BY YEAR BUILT</b>				1, detached	3,524	23,824	67,171
Built 2010 or later	217	751	1,886	1, attached	374	3,144	6,252
Built 2000 to 2009	544	3,586	13,406	2	319	1,872	2,856
Built 1990 to 1999	279	3,760	14,198	3 or 4	127	1,587	4,365
Built 1980 to 1989	372	4,364	14,340	5 to 9	201	1,530	4,379
Built 1970 to 1979	435	5,306	14,566	10 to 19	334	1,925	5,283
Built 1960 to 1969	679	5,178	11,673	20 to 49	191	1,492	3,587
Built 1950 to 1959	776	5,537	16,528	50 or more	176	1,780	5,316
Built 1940 to 1949	816	4,899	9,930	Mobile home	107	963	3,973
Built 1939 or earlier	1,201	4,743	6,673	Boat, RV, van, etc.	0	47	94

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION GROWTH BY AGE - 5 MILES



POPULATION BY AGE



## Transportation Routes

Major traffic arteries are shown in the chart below:

MAJOR ROADWAYS & THOROUGHFARES			
HIGHWAY	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
Interstate 40	east-west	Interstate Highway	This is within one mile of the subject property.
Interstate 25	north-south	Interstate Highway	This is within four miles of the subject property.
State Route 45	north-south	Local Highway	This is within three miles of the subject property.
SURFACE STREETS	DIRECTION	FUNCTION	DISTANCE FROM SUBJECT
Bellamah Avenue Northwest	east-west	Secondary Arterial	The subject property fronts this street.

Public transportation is available near the subject property. The immediate area is served by the City of Albuquerque Transit Department, with bus stops on Rio Grande Boulevard Northwest.

## Economic Factors

Albuquerque's economy is supported by the defense, education, and technology industries. The city is home to the New Mexico Technology Corridor, a hub for high-technology companies and government institutions. Although the largest employer in the county is the Albuquerque Public School District, the largest employer in the city is Kirtland Air Force Base, which is home to the Air Force Materiel Command's Nuclear Weapons Center. It is the sixth largest installation in the U.S. Air Force. Other notable employers include Sandia National Laboratory and the University of New Mexico in Albuquerque, with an enrollment of 27,300 students annually.

## Community Services

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the Albuquerque Public School District. GreatSchools.org is an on-line tool that rates every school on a scale of one to ten based on test scores. They also track parents rating of the school on a one to five scale. The following chart details the ratings of schools nearest to the subject.

SCHOOL DISTRICTS							
SCHOOL DISTRICT	NUMBER OF SCHOOLS						TOTAL
	ELEMENTARY	MIDDLE	HIGH	PUBLIC	CHARTER		
Albuquerque Public School District	100	45	39	142	21		163
HIGH SCHOOLS							
HIGH SCHOOLS	GREATSCHOOLS RATING	PARENT RATING	SCHOOL TYPE	GRADES SERVED	DISTANCE FROM SBJ.	CITY LOCATION	TOTAL ENROLLMENT
Albuquerque High School	5	4	public	9-12	1.61 miles	Albuquerque	1,723
Valley High School	3	3	public	9-12	1.63 miles	Albuquerque	1,109
Career Enrichment	-	4	public	9-12	1.65 miles	Albuquerque	4
Camino Nuevo Youth	-	-	public	6-12	2.17 miles	Albuquerque	-
School On Wheels	-	5	public	9-12	2.29 miles	Albuquerque	98
Sequoyah	-	1	public	6-12	2.47 miles	Albuquerque	-
College and Career High School	9	-	public	9-12	2.83 miles	Albuquerque	133
West Mesa High School	3	3	public	9-12	3.00 miles	Albuquerque	1,520
Rio Grande High School	4	4	public	9-12	3.94 miles	Albuquerque	1,418
Freedom High School	-	5	public	10-12	4.43 miles	Albuquerque	165

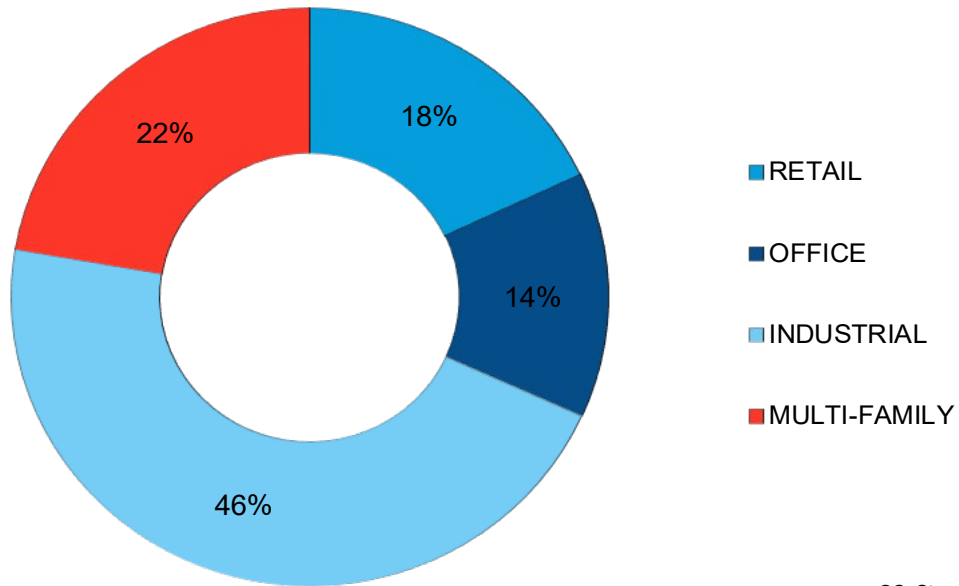
Source: GreatSchools.org

## IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

**Predominant Land Uses**

Significant development in the immediate area consists of office, retail and industrial uses along major arterials that are interspersed with multi-family complexes and single-family residential development removed from arterials. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

**COMMERCIAL AREA COMPOSITION**

©CoStar



## Residential Development

Residential users in the immediate area are primarily single-family residential.

## Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

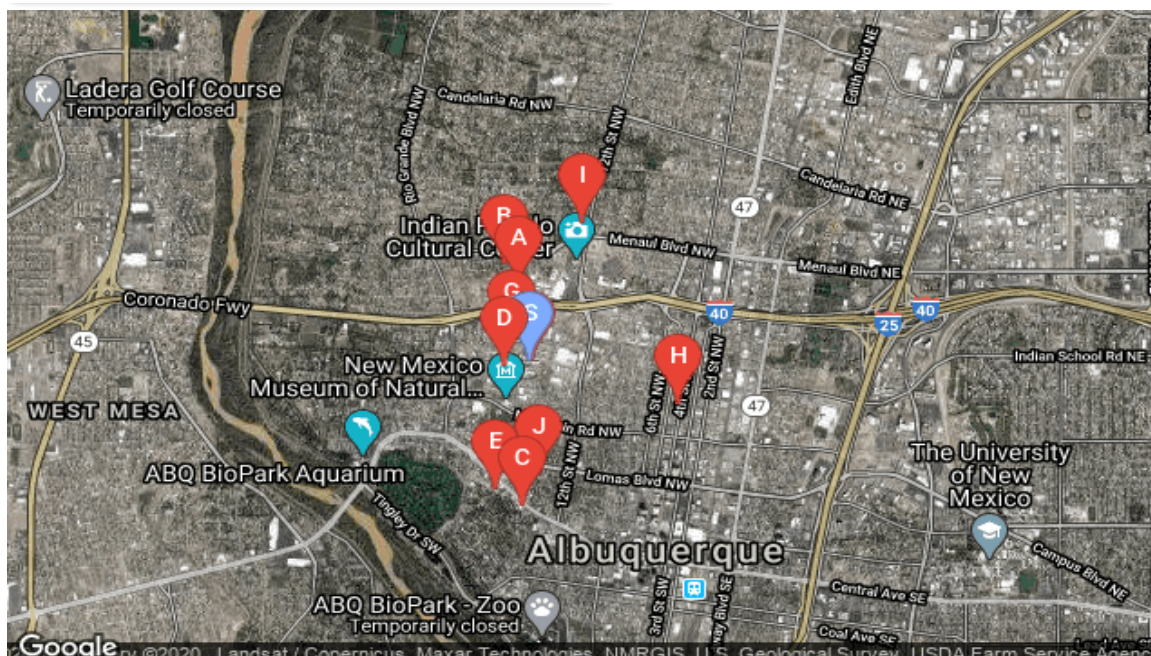
MULTI-FAMILY SUMMARY			
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	1	66,000	2019
B	10	484,507	1990
C	26	354,533	1959
<b>TOTAL</b>	<b>37</b>	<b>905,040</b>	<b>1969</b>

Source: CoStar

The largest three multi-family properties are at 1750 Indian School Road Northwest, 1800-1812 Indian School Road Northwest and 1500 Central Avenue Southwest with an NRA of 135,968 SF, 110,344 SF and 90,738 SF that were built in 1975, 1970 and 2002, respectively. The closest large multi-family property in proximity to the subject is at 1751 Bellamah Avenue Northwest with an NRA of 59,871 SF that was built in 0. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest multi-family properties in the immediate area from CoStar.

LARGEST MULTI-FAMILY PROPERTIES						
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT
Saint Anthony's Plaza	0.5 Miles	A	C	135,968	2	1975
Valley Apartments	0.6 Miles	B	B	110,344	2	1970
Huning Castle Luxury Apartment Homes	0.9 Miles	C	B	90,738	3	2002
Sawmill Lofts	0.1 Miles	D	B	90,070	2	2006
The Franz	0.8 Miles	E	A	66,000	3	2019
The Artisan	0.0 Miles	F	B	59,871	3	-
Villa Nueva Senior Apartments	0.2 Miles	G	B	56,872	2	-
Multi-family Building	0.8 Miles	H	C	40,000	1	2016
Multi-family Building	0.9 Miles	I	C	30,888	1	-
Carousel Apartments	0.7 Miles	J	C	24,124	2	1975

Source: CoStar



## Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

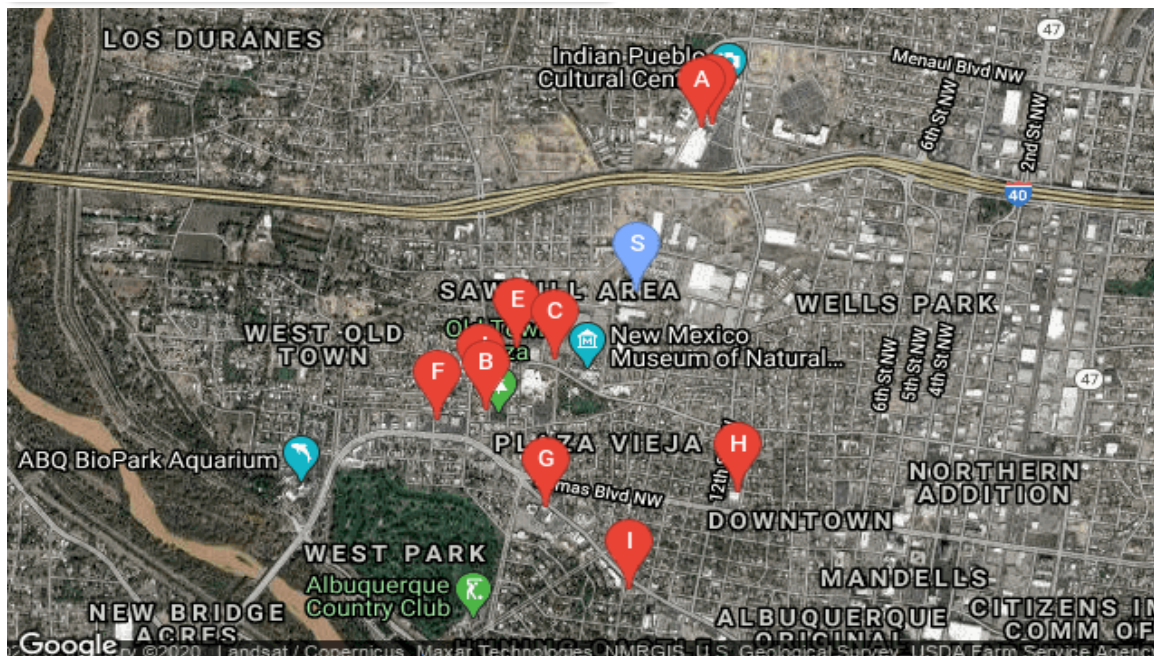
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
General Retail	196	732,381	1956	98.5	-
<b>TOTAL</b>	<b>196</b>	<b>732,381</b>	<b>1956</b>	<b>98.5</b>	<b>\$0.00</b>

Source: CoStar

The largest three retail properties are at 2001 12th Street Northwest, 301 Romero Street Northwest and 1905 Mountain Road Northwest with an NRA of 134,963 SF, 32,552 SF and 21,454 SF that were built in 2006, 1998 and 1952, respectively. The closest large retail property in proximity to the subject is the third property which is detailed above. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS							
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Retail Building	0.5 Miles	A	Neighborhood Center	134,963	100.0	2006	N/Av
Plaza Don Luis	0.5 Miles	B	General Retail	32,552	100.0	1998	N/Av
Retail Building	0.3 Miles	C	General Retail	21,454	100.0	1952	N/Av
Retail Building	0.5 Miles	D	Neighborhood Center	18,609	100.0	-	N/Av
Retail Building	0.4 Miles	E	Neighborhood Center	18,000	100.0	1995	N/Av
Retail Building	0.7 Miles	F	Neighborhood Center	17,823	56.7	1996	\$7.80
Retail Building	0.7 Miles	G	General Retail	16,000	100.0	-	N/Av
Retail Building	0.7 Miles	H	General Retail	15,129	100.0	-	N/Av
Retail Building	0.9 Miles	I	General Retail	15,000	100.0	2014	N/Av
Retail Building	0.5 Miles	J	General Retail	14,683	100.0	-	N/Av

Source: CoStar





## Office Development

The following chart shows a summary of office data by class in the immediate area from CoStar.

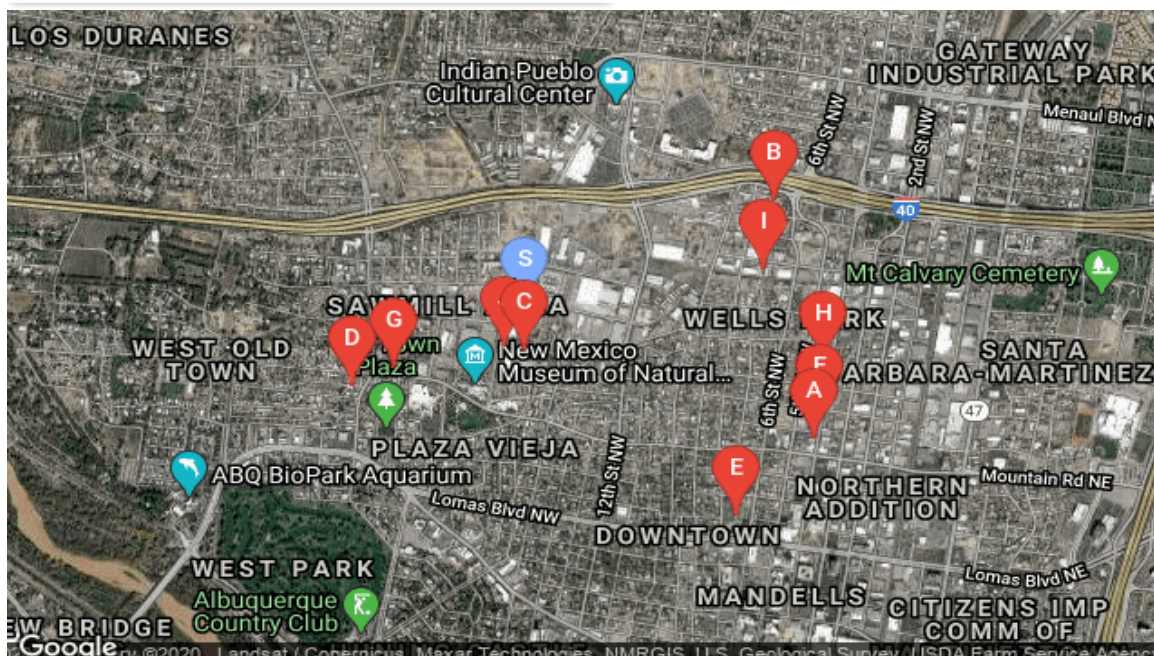
OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
B	72	375,612	1978	99.1	\$16.00
C	68	181,617	1953	100.0	-
<b>TOTAL</b>	<b>140</b>	<b>557,229</b>	<b>1966</b>	<b>99.5</b>	<b>\$16.00</b>

Source: CoStar

The largest three office properties are at 1121 4th Street Northwest, 614-616 Indian School Road Northwest and 1010 18th Street Northwest with an NRA of 25,500 SF, 25,450 SF and 25,267 SF, respectively. The closest large office property in proximity to the subject is the third property which is detailed above. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS							
NAME	DISTANCE	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Emerald Building	0.9 Miles	A	B	25,500	100.0	2008	N/Av
Office Building	0.7 Miles	B	B	25,450	100.0	-	N/Av
Office Building	0.1 Miles	C	B	25,267	100.0	2005	N/Av
Office Building	0.5 Miles	D	C	23,137	100.0	-	N/Av
Office Building	0.8 Miles	E	B	22,481	35.2	1973	\$16.00
Office Building	0.9 Miles	F	B	17,156	100.0	-	N/Av
Office Building	0.4 Miles	G	C	16,056	100.0	1992	N/Av
Office Building	0.8 Miles	H	C	13,857	100.0	-	N/Av
Office Building	0.6 Miles	I	B	12,243	100.0	-	N/Av
Office Building	0.1 Miles	J	B	12,000	100.0	2009	N/Av

Source: CoStar





## Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

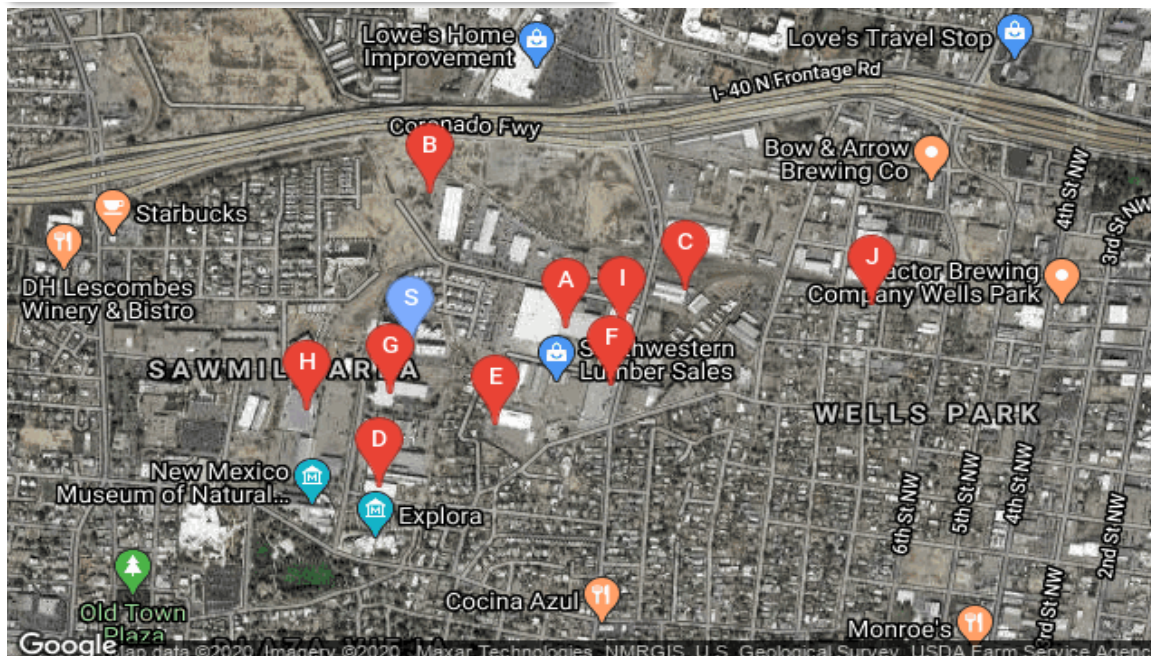
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	89	1,829,840	1968	99.2	\$4.96
Flex	2	37,773	2001	100.0	-
<b>TOTAL</b>	<b>91</b>	<b>1,867,613</b>	<b>1968</b>	<b>99.3</b>	<b>\$4.96</b>

Source: CoStar

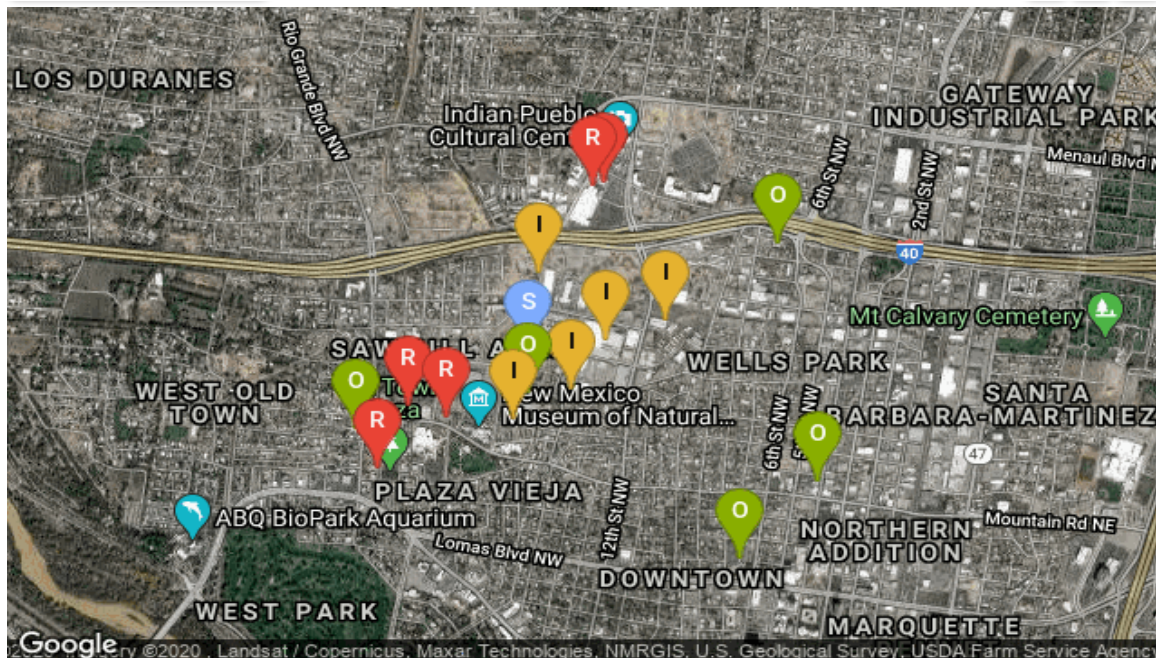
The largest three industrial properties are at 1239 Bellamah Avenue Northwest, 1701 Aspen Avenue Northwest and 1600 12th Street Northwest with an NRA of 230,773 SF, 100,800 SF and 74,564 SF, respectively. The closest large industrial property in proximity to the subject is at 1050 18th Street Northwest with an NRA of 51,355 SF that was built in 2000. The majority of properties were constructed before 2000. The following chart and map show the subject property and its location relative to the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES							
NAME	DISTANCE	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Industrial Building	0.2 Miles	A	Industrial	230,773	87.0	1968	N/Av
Industrial Building	0.2 Miles	B	Industrial	100,800	97.9	2003	\$5.82
Industrial Building	0.4 Miles	C	Industrial	74,564	100.0	-	N/Av
Industrial Building	0.2 Miles	D	Industrial	67,044	100.0	-	N/Av
Industrial Building	0.2 Miles	E	Industrial	59,660	100.0	1950	\$4.75
Industrial Building	0.3 Miles	F	Industrial	58,950	83.4	1950	\$4.75
Industrial Building	0.1 Miles	G	Industrial	51,355	100.0	2000	N/Av
Industrial Building	0.2 Miles	H	Industrial	50,000	100.0	1972	N/Av
Industrial Building	0.3 Miles	I	Industrial	46,817	100.0	1948	N/Av
Industrial Building	0.6 Miles	J	Industrial	43,876	100.0	-	N/Av

Source: CoStar



The following map shows the subject property and the largest retail, office, and industrial properties in the immediate area from CoStar.



## SUBJECT PROPERTY ANALYSIS

The following discussion draws context and analysis on how the subject property is influenced by the local and immediate areas.

### Subject Property Analysis

The uses adjacent to the property are noted below:

- › **North** - Vacant Land
- › **South** - Vacant Land/Under Construction
- › **East** - Retail: Sawmill Village
- › **West** - Railroad, Vacant Land, Multi-Family Residential Neighborhood: Sawmill Lofts

### Access

The subject site has frontage on an arterial. Based on our field work, the subject's access is rated average compared to other properties with which it competes.

### Visibility

The subject is clearly visible in both directions along the street. The visibility of the property is not hampered by adjacent properties, trees or other obstructions. In comparison to competitive properties, the subject property has good visibility.

### Subject Conclusion

Trends in the local and immediate areas, adjacent uses and the property's specific location features indicate an overall typical external influence for the subject, which is concluded to have a good position in context of competing properties.

## SUMMARY

Albuquerque has a strategic location in the central region of New Mexico. The subject property is situated within a growing city that has experienced considerable new investment and has established itself as a leading location in the high-technology industry. The city is a center for cutting-edge technology companies, contributing significantly to the region's economic development. The appeal of the local area is good for a variety of uses due to consistent demand trends in the market.



**General Description** The subject site consists of 1 parcel. As noted below, the subject site has 81,022 SF (1.86 AC) of land area. The area is estimated based on the assessor's parcel map, and may change if a professional survey determines more precise measurements. Going forward, our valuation analyses will utilize the usable site area. The following discussion summarizes the subject site size and characteristics.

**Assessor Parcel** 101305934900440211

**Number Of Parcels** 1

Land Area	Acres	Square Feet
Primary Parcel	1.86	81,022
Unusable Land	0.00	0
Excess Land	0.00	0
<u>Surplus Land</u>	<u>0.00</u>	<u>0</u>
<b>Total Land Area</b>	<b>1.86</b>	<b>81,022</b>

**Shape** Irregular - See Plat Map For Exact Shape

**Topography** Level at street grade

**Drainage** Assumed Adequate

**Utilities** All available to the site

Street Improvements	Street	Direction	No. Lanes	Street Type	Curbs	Sidewalks	Streetlights	Center Lane	Gutters
Bellamah Avenue Northwest	Secondary Street	two-way	two-lane	minor arterial	✓	✓	✓	✓	✓
<b>Frontage</b>	The subject has limited frontage on Bellamah Avenue Northwest.								

**Accessibility** **Average** - The subject is located within one mile of Interstate 40 and within three miles of State Route 45. Access to the subject is offered through an easement from an adjacent property.

**Exposure** **Average** - The subject has adequate exposure on a minor arterial.

**Seismic** The subject is in a moderate risk zone.

**Flood Zone** Zone X (Shaded). This is referenced by Community Number 350002, Panel Number 35001C0331H, dated August 16, 2012. Zone X (shaded) is a moderate and minimal risk area. Areas of moderate or minimal hazard are studied based upon the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in a community's flood insurance study. The failure of a local drainage system can create areas of high flood risk within these zones. Flood insurance is available in participating communities, but is not required by regulation in these zones. Nearly 25-percent of all flood claims filed are for structures located within these zones. Moderate risk areas within the 0.2-percent-annual-chance floodplain, areas of 1-percent-annual-chance flooding where average depths are less than 1

foot, areas of 1-percent-annual-chance flooding where the contributing drainage area is less than 1 square mile, and areas protected from the 1-percent-annual-chance flood by a levee. No BFEs or base flood depths are shown within these zones. (Zone X (shaded) is used on new and revised maps in place of Zone B.)

**Easements**

A preliminary title report was not available for review. During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.

**Soils**

A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.

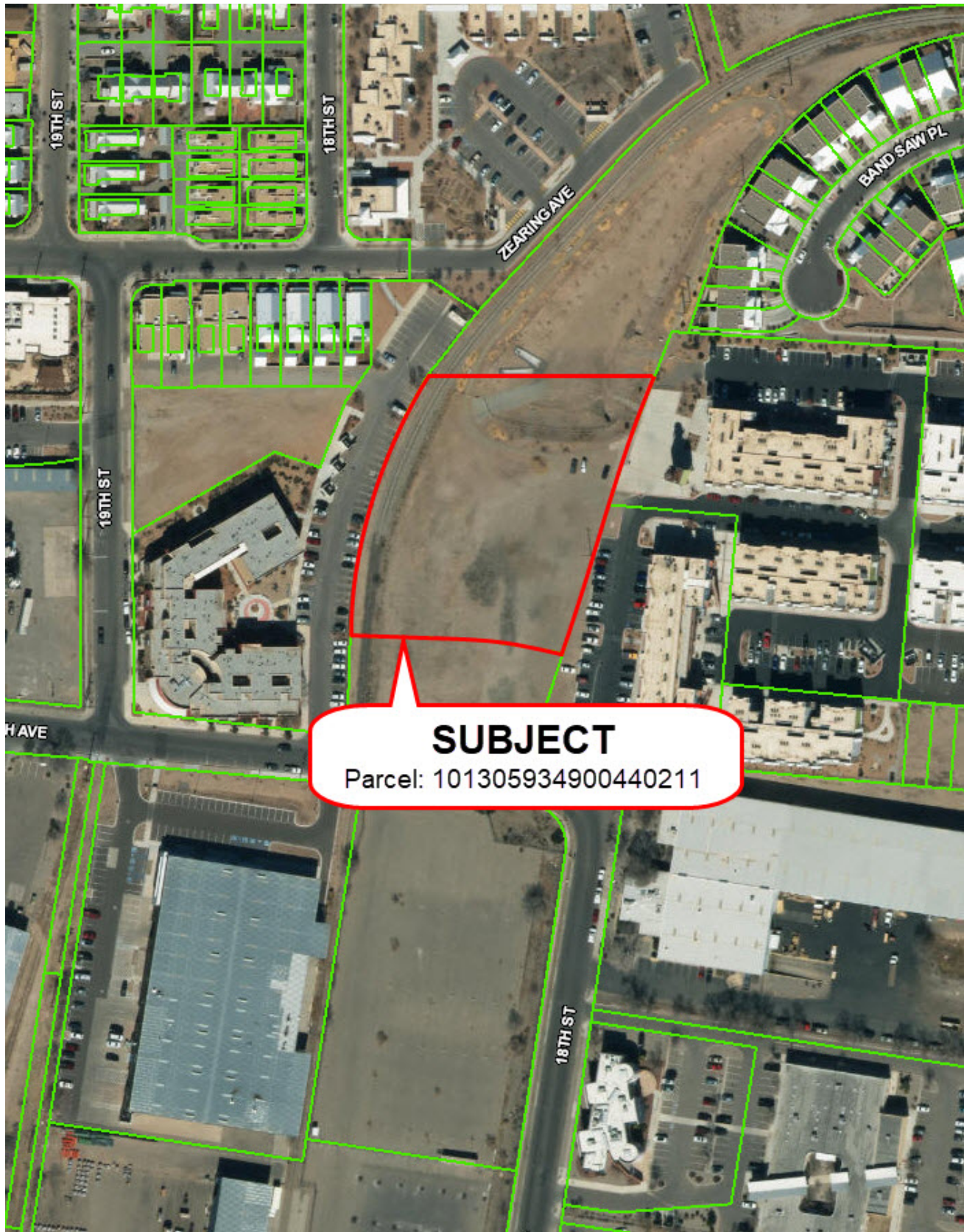
**Hazardous Waste**

We have not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.

**Site Rating**

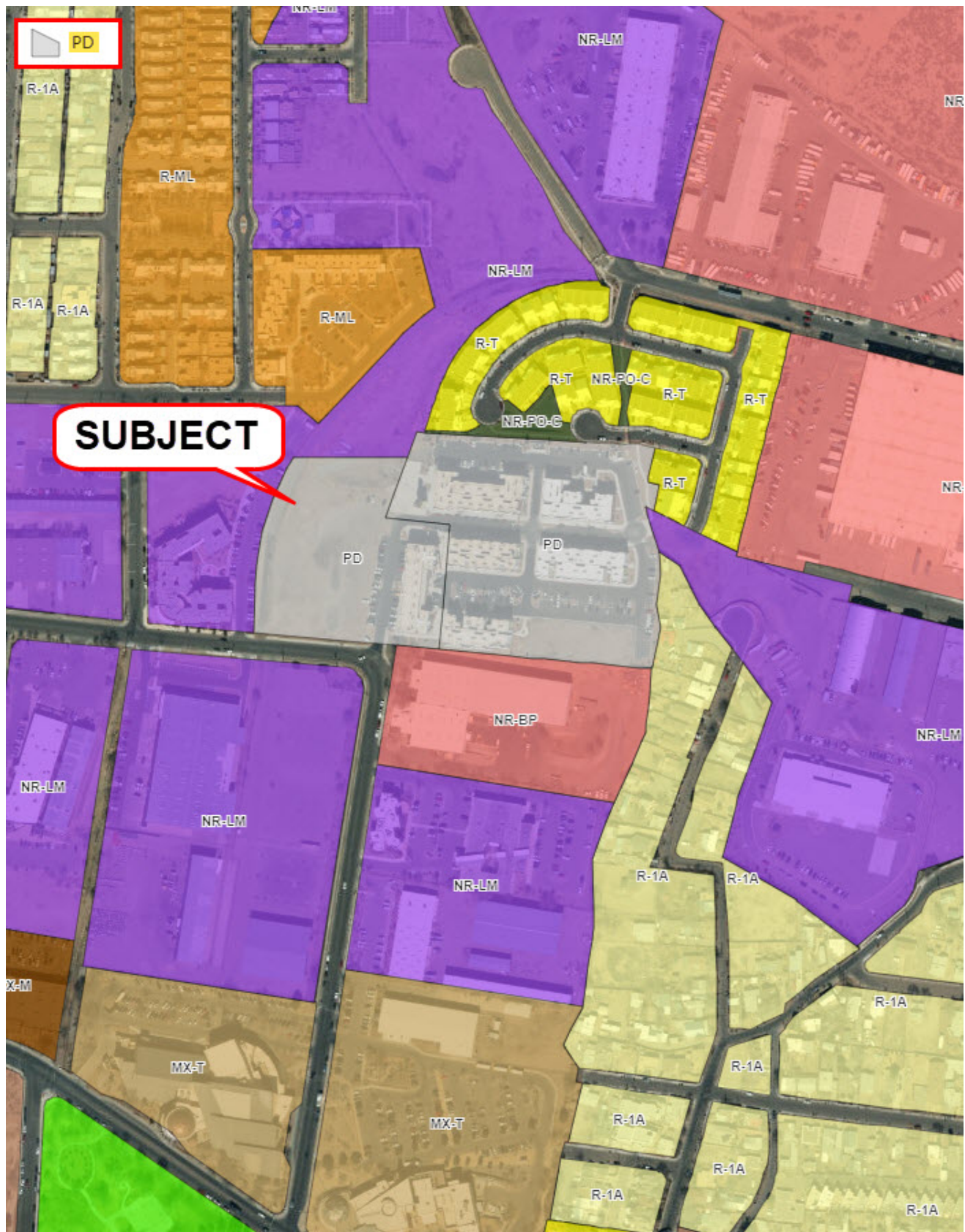
Overall, the subject site is considered a good office site in terms of its location, exposure, and access to employment, education and shopping centers, recognizing its location on a minor arterial.

## PARCEL MAP



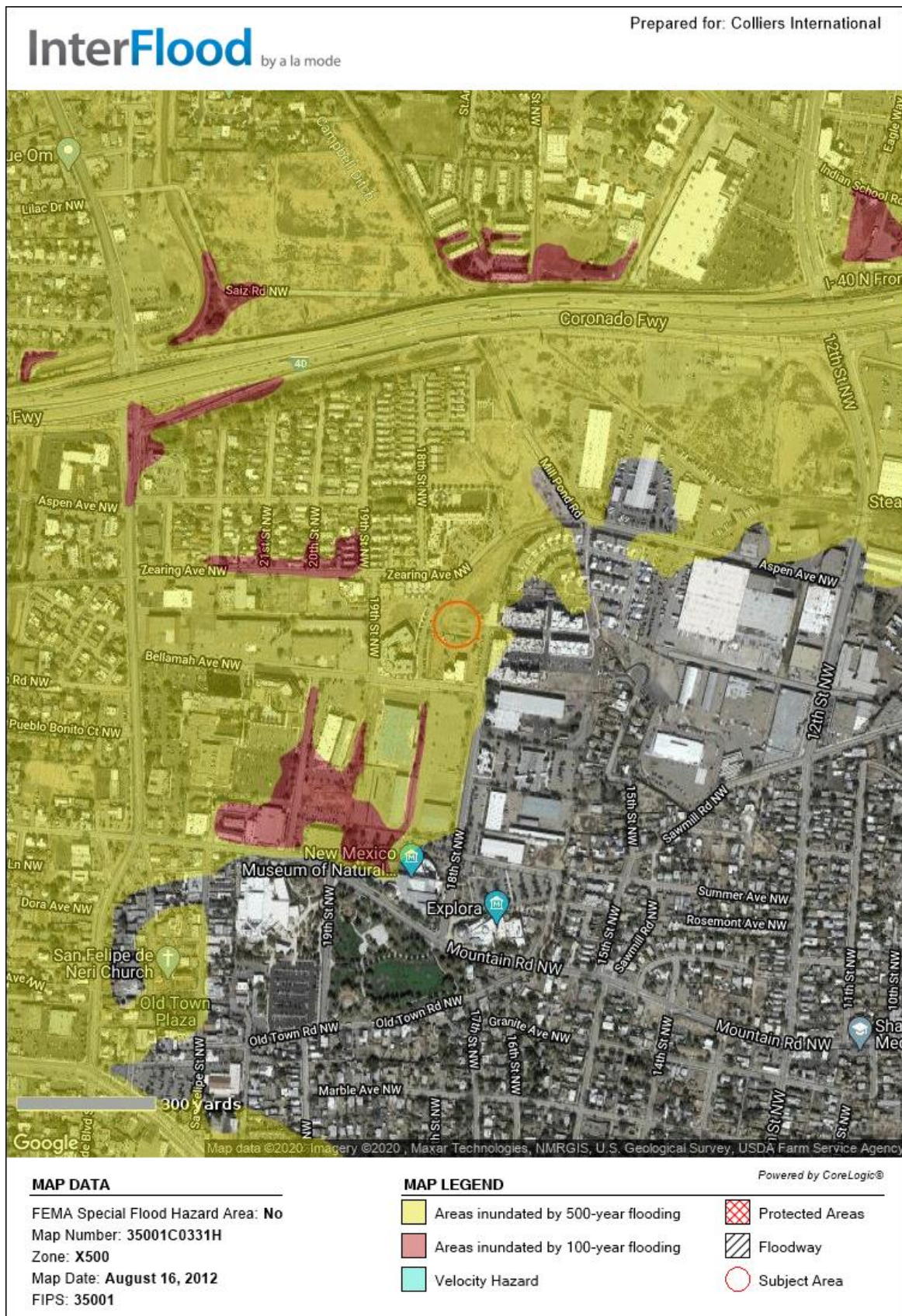


## ZONING MAP





## FLOOD MAP

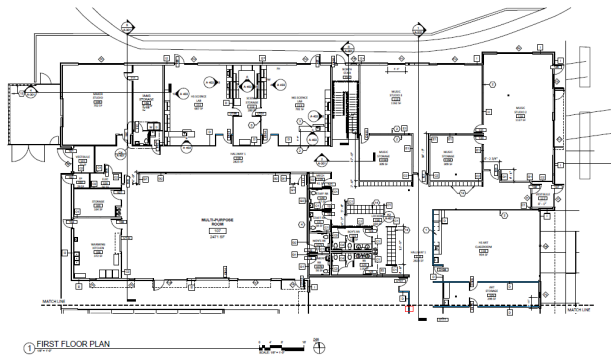




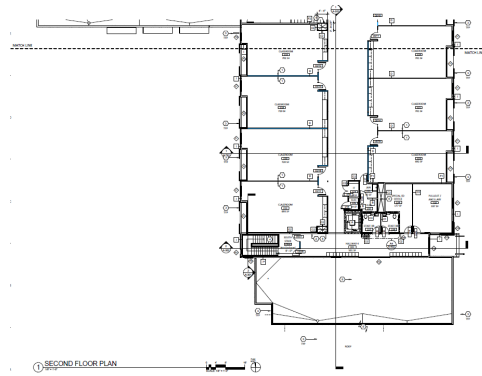
## SITE PLAN



## FLOOR PLAN

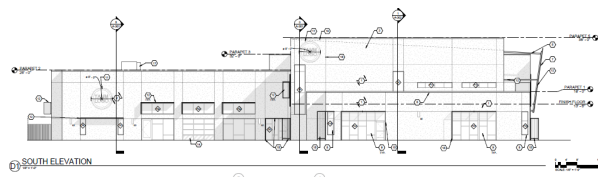
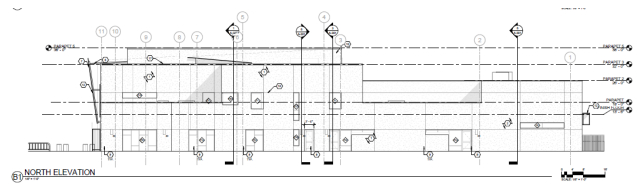
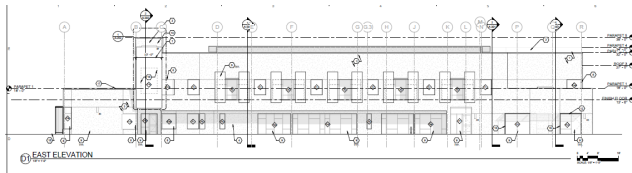
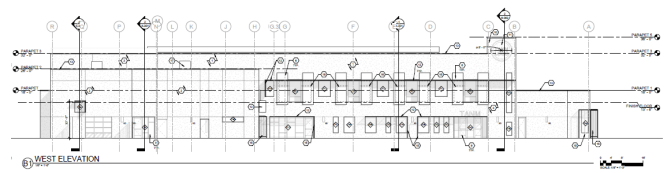


FIRST FLOOR PLAN



SECOND FLOOR PLAN

## ELEVATIONS

**SOUTH ELEVATION****NORTH ELEVATION****EAST ELEVATION****WEST ELEVATION**

## INTRODUCTION

The subject is a proposed charter school property totaling 38,101 SF of NRA located on a 1.86-acre site at 1701 Bellamah Avenue Northwest in Albuquerque, New Mexico. The subject will have a maximum allowable capacity for 430 students. The subject is generally positioned in the Downtown submarket just south of Interstate 40 next to Sawmill Village, a mixed-use retail/apartment complex. The improvements will be built in 2021, will be in good condition (brand new) and have a remaining economic life of 50 years based on our estimate.

The information presented below is a basic description of the proposed improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there will be no hidden defects, and that all structural components will be functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

<b>Property Type</b>	Office - Institutional/Governmental Office
<b>Design</b>	Single-Tenant Owner-Occupied - 1 Tenant Space
<b>Number of Buildings</b>	1
<b>Number of Stories</b>	2
<b>Net Rentable Area (NRA)</b>	38,101 SF
<b>Gross Building Area (GBA)</b>	38,101 SF
<b>Floor Plate</b>	21,096 SF
<b>Load Factor</b>	0%
<b>Percent Air Conditioned</b>	100%
<b>Site Coverage Ratio</b>	26.0%
<b>Land to Building Ratio</b>	2.1 : 1
<b>Parking</b>	64 (Surface) 1.7/1,000 SF NRA
<b>Year Built</b>	2021 (Proposed)
<b>Age/Life Analysis</b>	
Actual Age	0 Years
Effective Age	0 Years
Economic Life	50 Years
Remaining Life	50 Years
<b>Quality</b>	Good
<b>Condition</b>	Good
<b>Functional Design</b>	The building will be positioned on the site to leverage as much arterial exposure as possible. Overall, the subject will have a functional design considering the site constraints.
<b>Basic Construction</b>	Steel and Wood
<b>Foundation</b>	Reinforced concrete slab
<b>Framing</b>	Structural steel and wood with Stucco
<b>Exterior Walls</b>	Stucco and concrete block
<b>Roof</b>	Sealed membrane

<b>Insulation</b>	Assumed to be standard and to code for both walls and ceilings
<b>Heating</b>	Forced Air
<b>Air Conditioning</b>	HVAC
<b>Lighting</b>	Fluorescent and Incandescent
<b>Interior Walls</b>	Drywall
<b>Electrical</b>	The building will have a master meter.
<b>Ceilings</b>	Drywall
<b>Windows</b>	Standard windows; glass in aluminum frames
<b>Doors</b>	Automatic double door system, glass in metal frame
<b>Flooring</b>	Polished concrete
<b>Plumbing</b>	Standard plumbing
<b>Fire Protection</b>	The subject will have a fire sprinkler system and smoke alarms.
<b>Security</b>	Key Code Entry, Security Cameras
<b>Elevators</b>	The subject will have one passenger elevator.
<b>Landscaping</b>	Asphalt paving, concrete sidewalks, concrete curbing, pole mounted lights and low maintenance sprinklered landscaping
<b>Signage</b>	The subject will have signage along Bellamah Ave.
<b>Parking</b>	The subject property will have an asphalt paved parking lot that is in good/fair condition. The subject's parking lot provides a ratio of 1.7 spaces per 1,000 SF, which falls generally in line with nearby properties with parking ratios that are predominantly at 1 to 3 per 1,000, typical of the Downtown submarket.
<b>Deferred Maintenance</b>	The subject property is proposed construction.
<b>Hazardous Materials</b>	This appraisal assumes that the improvements will be constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>ADA Compliance</b>	This analysis assumes that the subject will comply with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
<b>Construction Budget</b>	The Foundation plans to construct a 38,101 SF charter school at a reported cost of \$7,912,685 or \$207.68/SF including all hard costs, soft costs, contingencies and taxes. The anticipated construction period is 12 months. The subject's construction budget is shown the following table:



Tierra Adentro of New Mexico	21-Apr-20
<b>SOURCES &amp; USES OF FUNDS</b>	
Albuquerque, NM	1:51 PM

<b>SOURCES of FUNDS</b>	<b>TANM SOURCES</b>
OWNER EQUITY	\$ 1,392,685
FIRST MORTGAGE	6,520,000
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 7,912,685</b>

<b>USES of FUNDS</b>	<b>TANM USES</b>
LAND ACQUISITION	\$ -
CLOSING COSTS	10,000
HARD CONSTRUCTION	6,520,905
Hard Construction Costs	4,907,493
Site Work	428,413
Contingency	245,375
Contractor Overhead	103,057
Contractor General Requirements	180,351
Contractor Profit	257,643
Sales Tax	398,574
ARCHITECTURAL & ENGINEERING	345,000
Architectural & Engineering	280,000
Civil Engineering	45,000
ALTA Survey	5,000
Surveys & Staking	5,000
Testing & Balancing	5,000
Soils Report	5,000
PERMITS & ENTITLEMENTS	145,000
Impact Fees	75,000
UEC Fees	35,000
Plan Review Fees	5,000
Building Permit Fees	30,000
FINANCING COSTS	131,900
Origination Fee	130,400
Application Fee	800
Document Fee	700
CONSTRUCTION PERIOD COSTS	419,480
Construction Insurance	100,000
Construction Interest	319,480
OTHER DEVELOPMENT COSTS	85,400
Appraisal	15,000
Phase I Environmental	5,000
Construction Testing & Inspection s	15,000
Inspections	20,400
Soft Cost Contingency	30,000
LEGAL	75,000
TANM Legal	25,000
Lender Legal	25,000
Real Estate Legal	25,000
DEVELOPER FEES	180,000
<b>TOTAL USES OF FUNDS</b>	<b>\$ 7,912,685</b>

## INTRODUCTION

Assessment of real property is established by an assessor that is an appointed or elected official charged with determining the value of each property. The assessment is used to determine the necessary rate of taxation required to support the municipal budget. A property tax is a levy on the value of property that the owner is required to pay to the municipality in which it is situated. Multiple jurisdictions may tax the same property.

The subject property is located within Bernalillo County. The assessed value and property tax for the current year are summarized in the following table.

ASSESSMENT & TAXES						
Tax Year	2019-2020			Tax Rate		54.317%
Tax District	A1AM			Taxes Current		Yes
Taxes SF Basis	Net Rentable Area					
APN	LAND	IMPV	TOTAL	EXEMPTIONS	TAXABLE	BASE TAX
101305934900440211	\$169,400	\$0	\$169,400	\$0	\$56,461	\$3,067
Totals	\$169,400	\$0	\$169,400	\$0	\$56,461	\$3,067
Total/SF	\$4.45	\$0.00	\$4.45	\$0.00	\$1.48	\$0.08

Source: Bernalillo County Assessment & Taxation

## SUBJECT PROPERTY ANALYSIS

The total taxable value for the subject property is \$56,461 or \$1.48/SF. There are no exemptions in place. Total taxes for the property are \$3,067 or \$0.08/SF. Upon completion, the subject will be operated as a public charter school and will be exempt from property taxes. Based on the property tax comparable presented in the forthcoming table, the subject's taxes are estimated at approximately \$1.25/SF if the subject were not exempt.

As part of the scope of work, we researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in Bernalillo County is assessed at 33.33% of market value. Real property is reassessed annually. The next scheduled reassessment date is January 1, 2021. In addition to scheduled reassessments, properties in Bernalillo County are reassessed upon sale, conversion, renovation or demolition.

According to the staff representative at the Bernalillo County treasurer's office, real estate taxes for the subject property are current as of the date of this report.

## TAX COMPARABLES

To determine if the assessment and taxes on the subject property are reasonable, we considered historical information, as well as information from similar properties in the market. They are illustrated in the table below.

TAX COMPARABLES							
	SUBJECT	COMP 1	COMP 2	COMP 3	LOW	HIGH	AVG
Property Name	Tierra Adentro Charter School Foundation	North Valley Academy	La Promesa Early Learning Academy	El Camino Real Academy	-	-	-
Address	1701 Bellamah Avenue Northwest	7939 4th St. NW	7500 La Morada NW	3713 and 1765- A & B Isleta Blvd. SW	-	-	-
City, State	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	-	-	-
APN	101305934900440211	101506313652421221	101005911229820102	Multiple APN's	-	-	-
Year Built	2020	2004	2008	1954	1954	2004	1979
NRA	38,101	38,800	83,300	62,113	38,800	83,300	61,404
<b>Taxable \$</b>	-	\$1,055,228	\$1,293,237	\$1,006,533	-	-	-
<b>Taxable \$/SF</b>	-	\$27.20	\$15.53	\$16.20	\$15.53	\$27.20	\$19.64
<b>Total Taxes</b>	-	\$50,633.01	\$62,053.39	\$42,440.46	-	-	-
<b>Taxes Per SF</b>	-	\$1.30	\$0.74	\$0.68	\$0.68	\$1.30	\$0.91

The comparable properties reflect taxes ranging from \$0.68 to \$1.30/SF with an average of \$0.91/SF of NRA. The taxes for the subject property (if the property were not exempt) are estimated at \$1.25/SF.

## CONCLUSION

The subject has not yet been assessed as it is a proposed construction. We concluded that the subject property will be re-assessed; however, the subject will be exempt from property taxes and a public charter school.

## INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site. The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
<b>Municipality Governing Zoning</b>	City of Albuquerque Planning & Zoning Department
<b>Current Zoning</b>	Planned Development Zone District (PD)
<b>Permitted Uses</b>	In the Planned Development Zone District (PD), uses are approved by the zoning authority who will determine if the development standards are allowed.
<b>Prohibited Uses</b>	Any use not approved by the zoning authority.
<b>Current Use</b>	Vacant Land
<b>Is Current Use Legally Permitted?</b>	Yes
<b>Zoning Change</b>	Not Likely
<b>Proposed Use</b>	Institutional/Governmental Office
<b>Is Proposed Use Legally Permitted?</b>	Yes
ZONING REQUIREMENTS	
<b>Conforming Use</b>	The proposed improvements represent a conforming use permitted via a development plan approval within this zone
<b>Dimensional and Parking Requirements</b>	In the Planned Development Zone District (PD), all dimensional and parking requirements are as approved by the zoning authority.

Source: City of Albuquerque Planning & Zoning Department

## ZONING CONCLUSIONS

Based on the interpretation of the zoning ordinance, the subject property is an outright permitted use.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. Please note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

## INTRODUCTION

Based on conversations with market participants active in the school/university market. The widespread belief is that physical attendance will resume in the fall semester of 2020. There has not been a tangible effect on this segment of the office market due to the fact that schools are operating virtually.

The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following office market analysis:

- › Charter School Market
- › Albuquerque Office Market
- › Downtown Albuquerque Office Submarket
- › Transaction Trends
- › Subject Property Analysis

## CHARTER SCHOOL OVERVIEW

The State of New Mexico fully authorized charter schools in 1999. Fifteen years later, there are 103 public charter schools in the state, 58 of which are in Albuquerque. Statewide, there are nearly 23,000 students enrolled in charter schools, New Mexico Public School Facilities Authority (NMPSFA). The Charter Schools Division of the Public Education Department (PED) says it is committed to ensuring charter schools are incubators for the most innovative and effective educational models in the public school system. In short, charter schools provide alternative educational settings for parents and students within the public school system. Charter schools in New Mexico may be authorized by the local school board (district charter schools) or the PED (state charter schools).

Since we find it to be an excellent summary of charter schools in New Mexico, we have summarized an article published in the *Albuquerque Journal* on March 7, 2016 titled "Charter Schools' Ranks Swell in Albuquerque" by Maggie Shepard as follows:

- About 60% of the state's charter schools have a specialization, including specific interests, learning styles, educational philosophies, gender, cultures or a general student population.
- 40% of the specialized schools target dropouts, special education or other disadvantaged students.
- Charter schools are basically their own school district, publicly funded but exempt from certain rules governing traditional public schools, such as class size, length of the school day, how staff and teachers organize the day and what materials they buy.
- Each charter school has its own board and administration. They set salaries, do hiring and firing and set their own policies. They must, however, still teach Common Core education standards and receive a schoolwide grade from the state.
- Charter schools are usually created by community members and educators who propose a plan to either their local school district or the state PED.
- Once a school is approved, it is funded like any other public school, which is an amount per student enrolled. They also receive a bit extra to cover rent because they aren't housed in buildings with tax dollars, and they receive additional funding to cover some program expenses. In all, [charter schools] receive about \$1,000 more per student than traditional schools.
- The Albuquerque Public Schools Board of Education says families transferring to charter schools are contributing to a decrease in traditional public school enrollment and, thus, funding for the district's traditional schools.



- In 2001, the state funneled \$891,000 to charter schools; in 2015, it supplied \$190 million, according to a 2016 state Legislative Finance Committee report.
- Since 2008, seven schools authorized by the state have been closed or have been denied renewal, according to the PED. Some have gone out of business on their own.
- While the number of charter schools has steadily increased since 2000, Mark Tolley, director of charter schools for Albuquerque Public Schools, said he predicts the number of charter school applications and openings will level off, especially since the federal government stopped offering seed money to launch charters in 2013.
- Eight groups applied to form a charter school under the state's authority in 2015. Only two were approved. Generally, fewer than half the applications are approved under the state process.

Public charter schools are eligible to receive lease payment assistance from the State of New Mexico. Such lease assistance is based on student enrollment, or \$736.25/student. If lease payments exceed this amount, the schools are responsible for the difference, which can be made up through various funding sources such as grants, donors or other fundraising methods. Nevertheless, charter schools typically make lease/purchase decisions based on the amount of lease assistance received from the State.

Relevant statistics pertaining to charter schools from the NMPSFA are presented in the following table:

CHARTER SCHOOLS			
Year	Number of Schools	Number of Students	Sq. Ft. per Student
2011-2012	90	17,581	105
2012-2013	98	20,256	N/A
2013-2014	97	20,757	116
2014-2015	97	21,257	105
2015-2016	102	21,927	109
2016-2017	103	22,988	122
2017-2018	98	23,348	122
2018-2019	104	24,855	108
2019-2020	113	28,627	105

The number of new charter schools being added each year has slowed, but the number of students has been increasing at an average rate of 5.6% annually. Nevertheless, square feet per student occupied has averaged about 111. According to the Public School Facilities Authority, the maximum allowable capacity for the subject is 500 students (69/SF) with current enrollment at about 445 (78/SF).

## BROKER / MARKET PARTICIPANT INTERVIEWS

Interviews with brokers and other market participants were conducted to put previously discussed trends and data into better context of what is really occurring in the marketplace.

According to Mary Scofield, business manager for El Camino Real Academy, federal funding for charter schools has essentially dried up and the approval process for charter schools has become more stringent. Further, there is increased competition. These factors have made it more difficult to start a charter school, which explains a slowed growth rate, and the increased competition has made it difficult to increase enrollment.

Constance Dove, a charter school specialist with Dove Property Advisors, reported that many charter school transactions were completed in order to comply with a New Mexico State Law passed in 2011 requiring charter school leases to contain purchase options. Ms. Dove believed the charter school market to still be strong but said the peak of the market was around 2011/2012 after the new law summarized above was passed. Since then market values for charter schools have declined somewhat. There are some schools that are still not in permanent facilities, which may be in the market for new facilities.

Shelly Branscom, a charter school specialist with NAI Maestas & Ward, stated that most market activity has been spurred by the New Mexico State Legislature requiring charter schools to own their buildings after they obtain their second charter (i.e. the sixth year of a charter school's existence). Ms. Branscom stated that middle schools are the most volatile among charter schools as the requirements they must meet are more stringent. Ms. Branscom said that high schools perform well since the majority of their students are motivated and invested in their education. According to Ms. Branscom, charter schools lease buildings based on a variety of factors, including student enrollment and building operating costs. Finally, Ms. Branscom does not believe charter schools should be placed in a separate class of real estate, but rather believes that overall rates should reflect office or industrial properties.

The Charter School Act referenced by Ms. Dove and Ms. Branscom is found in Section 22-8B-4.2 of New Mexico State Statutes and is summarized as follows:

- A. On or after July 1, 2011, a new charter school shall not open and an existing charter school shall not be renewed unless the charter school:
- a. Is housed in a building that is:
    - i. Owned by the charter school, the school district, the state, an institution of the state, another political subdivision of the state, the federal government or one of its agencies or a tribal government; or
    - ii. Subject to a lease-purchase arrangement that has been entered into and approved pursuant to the Public School Lease Purchase Act; or
  - b. If it is not housed in a building described in Paragraph (a) of this subsection, demonstrates that:
    - i. The facility in which the charter school is housed meets the statewide adequacy standards developed pursuant to the Public School Capital Outlay Act and the owner of the facility is contractually obligated to maintain those standards at no additional cost to the charter school or the state; and
    - ii. Either: 1) public buildings are not available or adequate for the educational program of the charter school; or 2) the owner of the facility is a nonprofit entity specifically organized for the purpose of providing the facility for the charter school.

## ALBUQUERQUE OFFICE MARKET

The following is an analysis of supply/demand trends in the Albuquerque office market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

ALBUQUERQUE HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2010	37,168,645 SF	780,908 SF	625,320 SF	12.2%	\$15.70/SF
2011	37,421,235 SF	254,990 SF	397,817 SF	11.2%	\$15.16/SF
2012	37,483,986 SF	79,297 SF	(101,889) SF	11.5%	\$14.85/SF
2013	37,257,093 SF	183,164 SF	(147,970) SF	11.0%	\$14.91/SF
2014	37,299,387 SF	78,100 SF	(59,434) SF	11.8%	\$14.89/SF
2015	37,331,286 SF	47,506 SF	364,193 SF	11.0%	\$14.68/SF
2016	37,407,510 SF	106,160 SF	1,035,753 SF	9.3%	\$14.86/SF
2017	37,611,782 SF	201,748 SF	618,724 SF	7.6%	\$14.62/SF
2018	37,603,779 SF	21,530 SF	9,970 SF	7.2%	\$15.09/SF
2019	37,684,279 SF	80,500 SF	187,674 SF	7.0%	\$15.46/SF
<b>CAGR</b>	0.1%	-	-	-	(0.2%)

\*Supply numbers based on information which is amended/updated on an on-going basis by Costar.

Source: Costar®

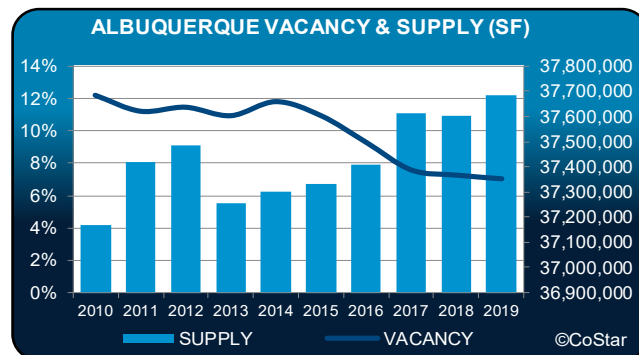
Over the past ten years the Albuquerque office market was stable where there was balance in prevailing office supply/demand conditions. Over this time period the market inventory slightly increased by 4.9%. Further there was positive absorption (7.9% change), decrease in the vacancy rate (5.2% change) and minimal decrease of the asking average rent (1.5% change).

Analysis of the data indicates the Albuquerque office market has gone through three distinctive trends over the past ten years.

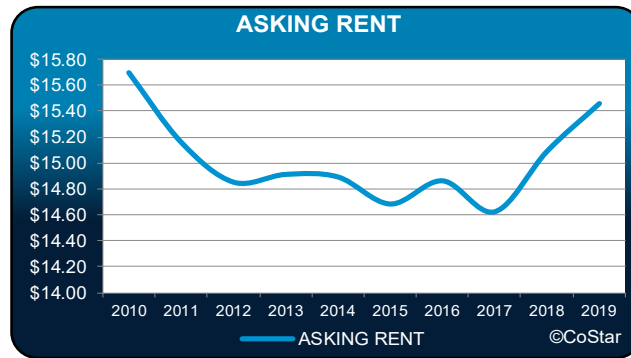
TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2010-2019	1,833,903 SF	2,930,158 SF	12.2%→7.0%	\$15.70→\$15.46
10 Yrs	4.9%	7.9%	-5.2%	-1.5%
2010-2012	1,115,195 SF	921,248 SF	12.2%→11.5%	\$15.70→\$14.85
3 Yrs	3.0%	2.5%	-0.8%	-5.4%
2013-2016	414,930 SF	1,192,542 SF	11.0%→9.3%	\$14.91→\$14.86
4 Yrs	1.1%	3.2%	-1.7%	-0.3%
2017-2019	303,778 SF	816,368 SF	7.6%→7.0%	\$14.62→\$15.46
3 Yrs	0.8%	2.2%	-0.5%	5.7%

The three year period from 2010 to 2012 was highlighted with significantly increased supply, positive absorption, moderate decrease of vacancy rates and considerable decrease of asking rent in the market. The next four year period from 2013 to 2016 featured slightly increased supply, positive absorption, moderate decrease of vacancy rates and minimal decrease of asking rent levels. The most recent three year period from 2017 to 2019 featured slightly increased supply, positive absorption, moderate decrease of vacancy rates and considerable increase of asking rent levels.

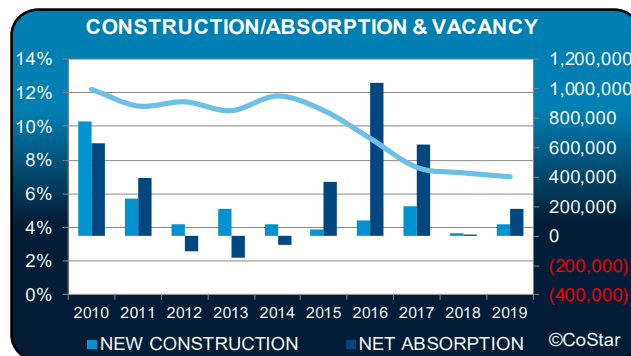
Over the past ten years the market had a compound annual growth rate (CAGR) of 0.1% per year. Vacancy has ranged from 7.0% to 12.2% with an average of 10.0%. Vacancy decreased from 12.2% in 2010 to 11.5% in 2012, decreased from 11.0% in 2013 to 9.3% in 2016 and decreased from 7.6% in 2017 to 7.0% in 2019.



Over the past ten years asking rent has experienced a CAGR decrease of 0.2%. Asking rent hit a low of \$14.62/SF in 2017 and a high in 2010 at \$15.70/SF.



In the past ten years a total of 1,833,903 SF were added to the supply with 2,930,158 SF of net absorption achieved during the same period.



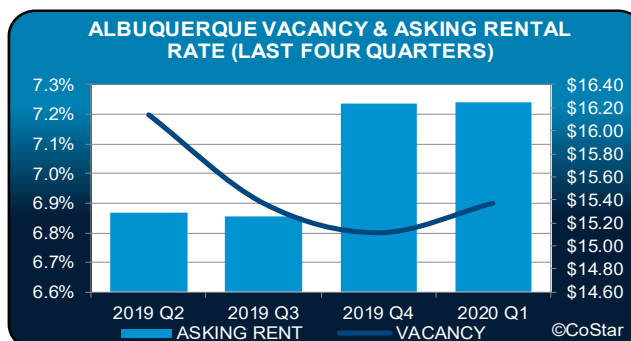
The following table summarizes the trailing four quarter performance of the Albuquerque market.

ALBUQUERQUE TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2019 Q2	37,608,779 SF	0 SF	(50,534) SF	7.2%	\$15.29/SF
2019 Q3	37,608,779 SF	0 SF	100,672 SF	6.9%	\$15.26/SF
2019 Q4	37,684,279 SF	75,500 SF	142,471 SF	6.8%	\$16.24/SF
2020 Q1	37,684,279 SF	0 SF	(44,110) SF	6.9%	\$16.25/SF

Source: Costar®

As of Q1 2020 the Albuquerque market has a total office inventory of 37,684,279 SF with 2,590,681 SF vacant indicating a current vacancy rate of 6.9%. There was no additional inventory delivered last quarter, whereas there was 75,500 SF added in the last year.

Over the past four quarters the Albuquerque office market has experienced a moderate increase of supply. These key factors have resulted in positive net absorption, decrease of vacancy rates and increase of asking rent in the marketplace.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

ALBUQUERQUE MARKET TREND ANALYSIS			
	Q1 2020	2019	Last 10
Total SF	37,684,279	37,684,279	37,426,898
Vacant SF	2,590,681	2,637,900	3,732,585
Market Vacancy	6.9%	7.0%	10.0%
Construction Growth Rate	0.0%	0.2%	0.1%
Absorption Rate	(0.1%)	0.5%	0.8%
Average Asking Rent/SF	\$16.25	\$15.46	\$15.02

Source: Costar®

### Vacancy

The Q1 2020 vacancy rate (6.9%) is consistent with last year (7.0%) and substantially lower than the average vacancy over the past ten years (10.0%). The historic vacancy trend indicates stable long-term demand for office space in the Albuquerque market. The most recent vacancy trends demonstrate slightly superior market conditions in comparison to the historic trend and suggest continued stability moving forward.

### Supply

There was no new inventory added during Q1 2020, whereas the growth rate was 0.2% last year. Over the past ten years the Albuquerque office market grew at a CAGR of 0.1%. The historic trend demonstrates a nominal growth rate that was generally supported. The most recent trends show slightly reduced growth in comparison to the historic trend in reaction to the current economic conditions.

### Absorption

During Q1 2020 net absorption was negative 0.1% and net absorption was 0.5% over the last year. The Albuquerque office market has established an overall trend of stable absorption (0.8%) over the past ten years. The historic absorption trend indicates stable long-term demand for office space in the Albuquerque market. The most recent absorption trends demonstrate slightly inferior market conditions in comparison to the historic trend and suggest continued stability moving forward.

### Albuquerque Market Conclusion

Based on the preceding analysis, the Albuquerque office market demonstrates sound fundamentals. Analysis of supply and demand factors indicate the market is currently stable with no evidence to prove this will change any time soon. There are no observed weaknesses of the market that stand out.



## DOWNTOWN ALBUQUERQUE OFFICE SUBMARKET OVERVIEW

The following is an analysis of supply/demand trends in the Downtown Albuquerque office submarket using information provided by CoStar. The table below presents historical data for key market indicators.

DOWNTOWN ALBUQUERQUE HISTORICAL STATISTICS (LAST TEN YEARS)					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2010	7,501,603 SF	7,500 SF	25,342 SF	14.3%	\$15.10/SF
2011	7,501,603 SF	0 SF	41,373 SF	12.9%	\$15.12/SF
2012	7,501,603 SF	0 SF	(236,002) SF	13.9%	\$14.54/SF
2013	7,228,636 SF	0 SF	(288,113) SF	13.9%	\$14.84/SF
2014	7,218,895 SF	2,200 SF	761 SF	15.6%	\$14.85/SF
2015	7,213,863 SF	0 SF	109,674 SF	14.7%	\$15.35/SF
2016	7,213,863 SF	0 SF	369,442 SF	12.6%	\$16.89/SF
2017	7,216,387 SF	0 SF	106,937 SF	9.3%	\$16.82/SF
2018	7,216,387 SF	0 SF	190,730 SF	6.8%	\$17.33/SF
2019	7,216,387 SF	0 SF	(143,098) SF	6.8%	\$18.08/SF
<b>CAGR</b>	<b>(0.4%)</b>	-	-	-	1.8%

\*Supply numbers based on information which is amended/updated on an on-going basis by CoStar.

Source: CoStar®

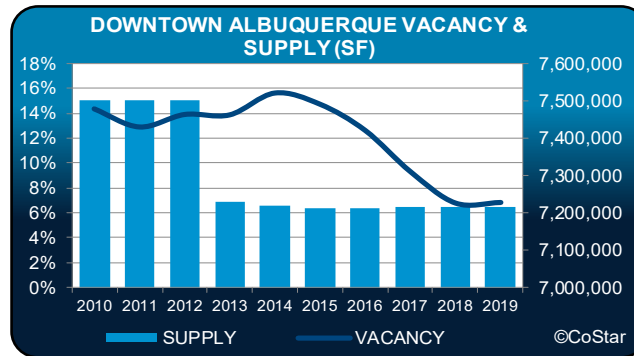
Over the past ten years the Downtown Albuquerque office market was stable where there was balance in prevailing office supply/demand conditions. Over this time period the market inventory slightly increased by 0.1%. Further there was slight positive absorption (2.4% change), decrease in the vacancy rate (7.5% change) and considerable increase of the asking average rent (19.7% change).

Analysis of the data indicates the Downtown Albuquerque office market has gone through three distinctive trends over the past ten years.

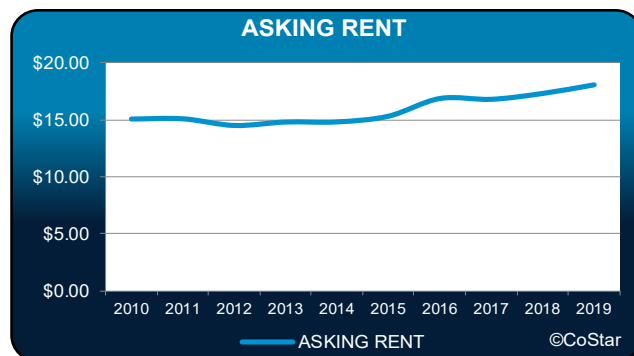
TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2010-2019	9,700 SF	177,046 SF	14.3%→6.8%	\$15.10→\$18.08
10 Yrs	0.1%	2.4%	-7.5%	19.7%
2010-2012	7,500 SF	(169,287) SF	14.3%→13.9%	\$15.10→\$14.54
3 Yrs	0.1%	-2.3%	-0.5%	-3.7%
2013-2016	2,200 SF	191,764 SF	13.9%→12.6%	\$14.84→\$16.89
4 Yrs	0.0%	2.7%	-1.3%	13.8%
2017-2019	0 SF	154,569 SF	9.3%→6.8%	\$16.82→\$18.08
3 Yrs	0.0%	2.1%	-2.5%	7.5%

The three year period from 2010 to 2012 was highlighted with slightly increased supply, negative absorption, moderate decrease of vacancy rates and considerable decrease of asking rent in the market. The next four year period from 2013 to 2016 featured slightly increased supply, positive absorption, moderate decrease of vacancy rates and considerable increase of asking rent levels. The most recent three year period from 2017 to 2019 featured stable supply, positive absorption, decrease of vacancy rates and considerable increase of asking rent levels.

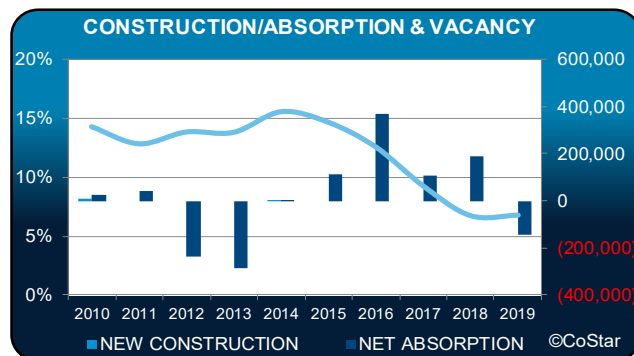
Over the past ten years the market had a compound annual growth rate (CAGR) decrease of 0.4% per year. Vacancy has ranged from 6.8% to 15.6% with an average of 12.1%. Vacancy decreased from 14.3% in 2010 to 13.9% in 2012, decreased from 13.9% in 2013 to 12.6% in 2016 and decreased from 9.3% in 2017 to 6.8% in 2019.



Over the past ten years asking rent has experienced a CAGR of 1.8%. Asking rent hit a low of \$14.54/SF in 2012 and a high in 2019 at \$18.08/SF.



In the past ten years a total of 9,700 SF were added to the supply with 177,046 SF of net absorption achieved during the same period.



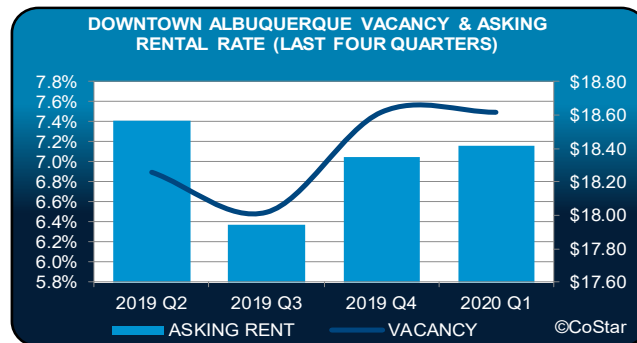
The following table summarizes the trailing four quarter performance of the Downtown Albuquerque submarket.

DOWNTOWN ALBUQUERQUE TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2019 Q2	7,216,387 SF	0 SF	(34,847) SF	6.9%	\$18.57/SF
2019 Q3	7,216,387 SF	0 SF	31,249 SF	6.5%	\$17.94/SF
2019 Q4	7,216,387 SF	0 SF	(73,321) SF	7.5%	\$18.35/SF
2020 Q1	7,216,387 SF	0 SF	(4,659) SF	7.5%	\$18.42/SF

Source: Costar®

As of Q1 2020 the Downtown Albuquerque market has a total office inventory of 7,216,387 SF with 544,365 SF vacant indicating a current vacancy rate of 7.5%. There was no additional inventory delivered last quarter, nor were there any new deliveries in the last year.

Over the past four quarters the Downtown Albuquerque office market has experienced no growth of supply. There was also negative net absorption, increase in vacancy rates and nominal decrease of asking rent in the marketplace.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

DOWNTOWN ALBUQUERQUE MARKET TREND ANALYSIS			
	Q1 2020	2019	Last 10
Total SF	7,216,387	7,216,387	7,302,923
Vacant SF	544,365	492,879	881,828
Market Vacancy	7.5%	6.8%	12.1%
Construction Growth Rate	0.0%	0.0%	-0.4%
Absorption Rate	(0.1%)	(2.0%)	0.2%
Average Asking Rent/SF	\$18.42	\$18.08	\$15.89

Source: Costar®

### Vacancy

The Q1 2020 vacancy rate (7.5%) is slightly higher than last year (6.8%) and substantially lower than the average vacancy over the past ten years (12.1%). The historic vacancy trend indicates stable long-term demand for office space in the Downtown Albuquerque market. The most recent vacancy trends demonstrate slightly superior market conditions in comparison to the historic trend and suggest continued stability moving forward.

### Supply

There was no new inventory added during Q1 2020, nor were there any new deliveries in the last year.

### Absorption

During Q1 2020 net absorption was negative 0.1% and net absorption was also negative 2.0% over the last year. The Downtown Albuquerque office market has established an overall trend of stable absorption (0.2%) over the past ten years. The historic absorption trend indicates stable long-term demand for office space in the Downtown Albuquerque market. The most recent absorption trends demonstrate slightly inferior market conditions in comparison to the historic trend and suggest continued stability moving forward.

### Downtown Albuquerque Submarket Conclusion

Based on the preceding analysis, the Downtown Albuquerque office market demonstrates sound fundamentals. Analysis of supply and demand factors indicate the market is currently stable with no evidence to prove this will change any time soon. There are no observed weaknesses of the market that stand out.

## TRANSACTION TRENDS

### Sales Volume

The volume of sale transactions for similar assets has been low over the past six months within the marketplace. This assertion is supported by the comparable sales that were selected for the Sales Comparison Approach.

These sales represent a blend of recent and older transactions, which provides support for the reported market sales activity. Sales volume is directly impacted by the activity levels of sellers and buyers of this property type.

**Seller Activity**

Based on research completed on various listing sources including CoStar and Loopnet, properties similar to the subject in terms of pricing and overall investment appeal have general availability, with numerous listings offered within the marketplace. This trend represents the general sentiment of market participants interviewed for this and other assignments.

**Most Probable Buyer Profile/Activity**

In the open market, the subject property type would command most interest from regional and local buyers that are actively pursuing similar owner-user properties. There is currently moderate buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is an owner user.

**Transaction Trends Conclusion**

Based on the preceding analysis, there is an established sales market for the subject property. As previously discussed, the velocity of sale transactions has been low over the past six months. Currently there is moderate buyer demand, while there is general availability for this property type on the supply side. Based on these factors, conditions are in equilibrium in regard to negotiating sale terms.

**SUBJECT PROPERTY ANALYSIS**

This market analysis has examined historical and current supply/demand trends for the subject property type on market and submarket levels. Further, the subject's competitive dataset was profiled and analyzed to gain perspective of supply/demand conditions for properties in direct competition with the subject. Market participant interviews were conducted to provide ground level support of what is really occurring in the marketplace. Next, transaction trends were researched and analyzed. The final step will be to draw conclusions from the market data and analyses based on their perceived influence on the subject property.

The subject is an Office (Institutional/Governmental Office) asset with a total net rentable area of 38,101 SF. The market generally classifies the subject as a owner-user property. The most notable physical strength of the subject is its appealing site and building configuration.

**Tenant Appeal Conclusion**

Based on our analysis of the subject property and investigation of comparable properties in the marketplace, the subject is considered to have average overall tenant appeal with a typical competitive position for attracting and retaining tenants.

**Buyer Appeal Conclusion**

Based on our analysis of the subject property and investigation of substitute properties in the marketplace, the subject is considered to have average overall buyer appeal with an average competitive position if the asset was exposed to the open market.

**General Vacancy Conclusion**

As summarized in the table below this market analysis relied on various published data sources and field research for assessing how supply/demand conditions influence the long-term vacancy estimate of the subject property.

GENERAL VACANCY CONCLUSION			
CoStar	Q1 2020	LAST YR	10 YRAVG
Albuquerque Market	6.9%	7.0%	10.0%
Downtown Albuquerque Submarket	7.5%	6.8%	12.1%
<b>Subject</b>	0.0%	0.0%	0.0%
<b>GENERAL VACANCY RATE CONCLUSIONS</b>			5.0%

Based on the subject's size, location and appeal, the market and submarket analyses findings warrant primary consideration. The market level analysis indicated a CoStar vacancy rate of 6.9% and an average vacancy rate of 10.0% over the past ten years. The submarket level analysis indicated a CoStar vacancy rate of 7.5% and an average vacancy rate of 12.1% over the past ten years. As of the effective date of this appraisal, the subject property has a current vacancy rate of 0.0%. Based on our analysis of supply/demand trends and considering the subject's actual performance, a general vacancy rate of 5.0% is concluded.

### EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market" (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2015). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD				
SOURCE	QUARTER	RANGE		AVG
PriceWaterhouse Coopers				
National Suburban Office	1Q 20	1.0	to 12.0	5.8
Market Participant	1Q 15	0.0	to 0.0	0.0
Comparable Sales Dataset	2018-2019	1.0	to 9.0	6.0
AVERAGE		0.7	to 7.0	3.9

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements. Based on review of the local capital market, we conclude that adequate financing options would have been available to consummate a sale of the property on the date of value.

### Exposure Time Conclusion

The preceding information generally supports an exposure time range from 1 to 12 months for Office and Charter School properties. The subject property will be of good quality and will be in good condition (brand new). Based on its overall physical and locational characteristics, the subject has average overall appeal to owner/users. Considering these factors, a reasonable estimate of exposure time for the subject property is 12 months or less.

### Marketing Period Conclusion

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of 12 months or less is supported for the subject's marketing period.



## INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. This section develops the highest and best use of the subject property As-Vacant and As-Proposed.

## AS-VACANT ANALYSIS

### Legal Factors

The legal factors that possibly influence the highest and best use of the subject site are discussed in this section. Private restrictions, zoning, building codes, historic district controls, and environmental regulations are considered, if applicable to the subject site. Permitted uses of the subject's Planned Development Zone District (PD) zoning were listed in the Zoning Analysis section. Overall, legal factors support a broad range of office, retail, mixed-use, hospital, public and auto related uses for the subject site.

### Physical & Locational Factors

Regarding physical characteristics, the subject site is irregular in shape and has level topography with average access and average exposure. The subject site has limited frontage on an arterial. The immediate area is developed with office, retail, mixed-use and auto dealership development along major arterials that is interspersed with multi-family complexes and single-family residential development removed from arterials. Of the outright permitted uses, physical and locational features best support development of an office property as market conditions warrant for the site's highest and best use as-vacant.

### Feasibility Factors

Regarding financial feasibility of an office property in the region, construction delivery trends were previously discussed in the Market Analysis section. In general, the Albuquerque Market and Downtown Albuquerque Submarket are experiencing a typical level of construction activity compared to historical norms. Based on this factor, as well as our analysis of other supply/demand factors that impact the feasibility of an office development, it is unlikely that a developer would undertake a speculative project for the next year or two, although a build-to-suit project could decrease this holding period. Select owner/users are known to be expanding regionally on similar sites. The relative stability of the owner/user sector could drive near term development of the subject site under this scenario. Financial feasibility factors generally support near-term development of the subject site.

### As-Vacant Conclusion

Based on the previous discussion, the subject's highest and best use as-vacant is concluded to be development of an office property as market conditions warrant.

## AS-PROPOSED ANALYSIS

### Legal Factors

The subject's Charter School use (as-proposed) is permitted outright by the PD zoning. The legal factors influencing the highest and best use of the property support the subject's use as-proposed.

### Physical & Locational Factors

The physical and location characteristics of the subject improvements have been previously discussed in this report. In summary, the subject's improvements will be constructed in 2021 and have a remaining economic life of 50 years based on our estimate. The project will be of good quality construction and in good condition (brand new), with adequate service amenities. The subject improvements as-proposed are sufficiently supported by site features including its irregular shape, level topography, average access and average exposure. Further, the subject's location supports the subject improvements as-proposed with similar and homogeneous developments

present in the subject's immediate market area. Physical and location factors influencing the highest and best use of the property support the subject's use as-proposed.

## **As-Proposed Conclusion**

Based on the previous discussion, the highest and best use of the subject property as-proposed is concluded to be development of an office property.

## INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

## INCOME APPROACH

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The two fundamental methods of this valuation technique include Discounted Cash Flow and Direct Capitalization.

### › Discounted Cash Flow (DCF)

The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

### › Direct Capitalization

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Characteristics specific to the subject property warrant that this valuation technique is developed. Development of the Income Approach is a specific scope requirement of this assignment. The subject is an investment property; therefore, the Income Approach represents the decision making process of knowledgeable buyers and sellers of this property type. The Direct Capitalization method is used in this analysis. Discounted Cash Flow analysis does not contribute substantially to estimating value beyond the direct capitalization method and is not used in this analysis.

## SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

Characteristics specific to the subject property warrant that this valuation technique to be developed. Development of the Sales Comparison Approach is a specific scope requirement of this assignment. Sufficient sales data is available to provide a credible value estimate by the Sales Comparison Approach. Based on this reasoning, the Sales Comparison Approach is presented within this appraisal.

## LAND VALUATION

Development land in the subject marketplace is most often valued utilizing the Sales Comparison Approach. Characteristics specific to the subject property do not warrant that a site value is developed as the subject site is leased by the owner of the proposed building improvements. Development of the subject site value is not a

specific scope requirement of this assignment. Within the Site Valuation section, the subject is valued as one marketable economic site.

### **COST APPROACH**

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

Characteristics specific to the subject property warrant that this valuation technique is developed. Development of the Cost Approach is a specific scope requirement of this assignment. The subject property is proposed construction, which makes the Cost Approach particularly useful as a test of financial feasibility. Based on the preceding information, the Cost Approach will not be presented.

### **RECONCILIATION OF VALUE CONCLUSIONS**

The Income (Direct Capitalization) and Sales Comparison approaches are used to value the subject property, which will be reconciled into the final opinions of market value in the Analysis of Value Conclusions section.

## INTRODUCTION

The Income Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. As previously discussed within the Valuation Methods section, the Direct Capitalization method is used in this analysis, and Discounted Cash Flow analysis is not developed.

### Direct Capitalization

This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The first step in the direct capitalization method is to estimate the subject's durable rental income through reconciliation of the subject's in-place lease terms and market rent analysis. Next, we analyze other income items including reimbursements and miscellaneous revenue. Then, vacancy allowance and operating expenses are estimated based on analysis of the subject and market indicators. Finally, the resulting net operating income is capitalized at an appropriate supported rate. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Given the appraisal problem and defined scope of work, the following table summarizes the value scenarios and Income Approach methods developed within this appraisal report:

INCOME APPROACH VALUE SCENARIOS		
VALUE	METHODS USED	
SCENARIO	DCF	DIRECT CAP
As-Is Market Value		
Prospective Value Upon Completion		✓

### Income Approach Framework

The following identifies the primary sections and order in which the Income Approach is developed.

- Subject Lease Analysis
- Market Rent Analysis
- Contract Income Risk Analysis
- Income & Expense Analysis
- Capitalization Rate Analysis
- Direct Capitalization
- Adjustments to Value

## MARKET RENT ANALYSIS

This section examines competitive comparable properties within the marketplace to establish our opinion of market rent for the subject property. This allows for a comparison of the subject property's contract to what is attainable in the current market.

### Adjustment Process

Quantitative adjustments are made to the comparable leases. The following adjustments or general market trends were considered for the basis of market rent analysis.



**Transactional Adjustments** If warranted, the comparable leases were adjusted for varying lease structures, atypical concessions and market conditions. The adjustment for rent concession equivalency quantifies the differences between market standard free rent and tenant improvement allowances compared to those of the lease transaction, which were divided by the comparable's lease term, and applied to the beginning "face" rent of the comparable lease. The market conditions adjustment is explained at the end of this section.

**Concession Adjustment** The adjustment for rent concessions is a basis for creating a comparable market standard free rent of 0-3 months and a tenant improvement allowance of \$0 to \$10/SF. The differences between free rent and tenant improvements (+/-) is divided by the comparable's lease term, and applied to the beginning base rent of the comparable lease. This methodology does not take into account amortization of rental increases over the lease term. The rent concession adjustment calculation is outlined below:

CONCESSION ADJUSTMENT SUMMARY	
FREE RENT ADJUSTMENT	TI ADJUSTMENT
Comparable Free Rent	Comparable TI
Less: Market Standard	Less: Market Standard
Equals: Free Rent Adjustment	Equals: TI Adjustment
Divided by Comparable Monthly Lease Term	Divided by Comparable Lease Term
Times: Beginning Base Rent	Equals: Adjustment
Equals: Adjustment	

**Property Adjustments** Quantitative percentage adjustments were made for location and physical characteristics such as size, age, condition, exposure and parking ratio. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject site.

**Tenant Space Adjustments** The lease comparables were further adjusted to the subject to account for tenant space specific characteristics such as size and space functionality.

Transactional market conditions adjustment was based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

MARKET CONDITIONS ADJUSTMENT			
Per Year As Of	April 2020	(As-Is)	2%

The analysis applies an upward market conditions adjustment of 2% annually reflecting the conditions between the oldest comparable lease date up through the effective valuation date.

## ANALYSIS OF COMPARABLE LEASES

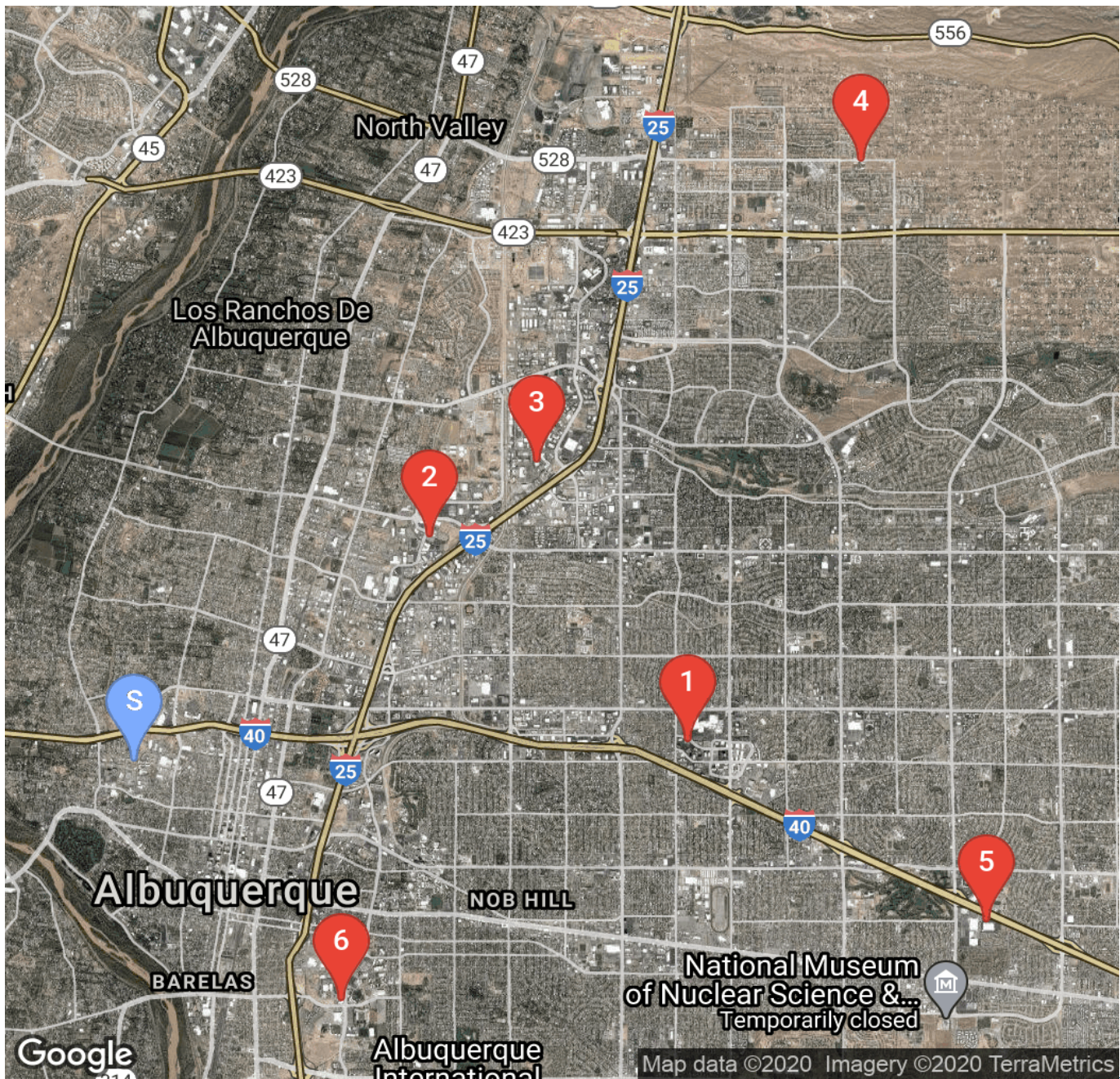
The market lease analysis is used to derive an opinion of market rent and correlating leasing assumptions for the subject property. The following table includes a summary of the comparables selected for this analysis, including relevant listings and actual leases at competing properties. Following the table is an adjustment grid, analysis and our conclusion. Datasheets containing more details of the comparables are presented later in this section.

## LEASE SUMMATION TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
<b>Name</b>	Tierra Adentro Charter School Foundation	6100 Uptow n	4500 Alexander	Jefferson Commons	Altura Preparatory School	Copper Pointe Business Park	Albuquerque Institute of Mathematics & Science
<b>Address</b>	1701 Bellamah Avenue Northwest	6100 Uptow n Blvd. NE, Ste 700	4500 Alexander Boulevard NE	5601 Office Boulevard NE, Ste 101	8650 Alameda Blvd. NE	10500 Copper Ave NE, Ste 1	1155 University Blvd. SE
<b>City</b>	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque
<b>State</b>	NM	NM	NM	NM	NM	NM	NM
<b>Zip</b>	87104	87110	87107	87109	87122	87123	87106
PHYSICAL INFORMATION							
<b>Property Type</b>	Office	Office	Office	Office	Office	Office	Office
<b>NRA</b>	38,101	95,477	100,467	48,988	21,551	211,077	29,708
<b>Occupancy</b>	100%	95%	-	-	-	35%	-
<b>Location</b>	Average	Good	Average	Average	Average	Average	Average
<b>Quality</b>	Good	Good	Average	Good	Average	Good	Average
<b>Condition</b>	Good	Good	Average	Good	Average	Average	Average
<b>Exposure</b>	Average	Average	Average	Average	Average	Average	Average
<b>Access</b>	Average	Average	Average	Average	Average	Average	Average
<b>Appeal</b>	Average	Good	Average	Good	Average	Average	Average
<b>Year Built</b>	2020	1983	1988	1999	2009	2008	1995
LEASE INFORMATION							
<b>Tenant Name</b>		Verus Research	Paychex, Inc.	Quest Diagnostic	Altura Preparatory School	Peraton Inc.	Albuquerque Institute of Mathematics & Science at UNM
<b>Floor</b>		7	2	-	-	2	-
<b>Commencement Date</b>		9/1/2020	3/1/2020	1/1/2020	7/1/2019	11/1/2018	1/1/2018
<b>Lease Type</b>		New	New	Renew al	New	Renew al	Expansion
<b>Lease Status</b>		Signed	Signed	Signed	Signed	Signed	Signed
<b>Rate Type</b>		FSG	NNN	NNN	NNN	MG	MG
<b>Size (SF)</b>		27,000	31,245	28,078	21,551	13,316	29,708
<b>Term (Yrs)</b>		8	8	5	1	5	6
<b>Rent (\$/SF/Yr.)</b>		\$22.50	\$12.75	\$17.00	\$14.00	\$16.06	\$14.69
<b>Avg. Escalation/Yr</b>		-	2.5%	3.0%	2.2%	3.0%	2.3%
<b>Concessions</b>		0	3 Mos.	2 Mos.	1 Mos.	-	-
<b>TI's (\$/SF)</b>		\$5	\$43	-	-	\$5	-
<b>Options</b>		-	One 5-year	-	-	-	-



## COMPARABLE LEASE MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	TENANT	LEASE DATE	SF	\$/SF
SUBJECT	-	Tierra Adentro Charter S	1701 Bellamah Avenue North west, Albuquerque	-	-	-	\$17.50
No. 1	5.1 Miles	6100 Uptow n	6100 Uptow n Blvd. NE, Ste 700, Albuquerque	Verus Research	9/1/2020	27,000	\$22.50
No. 2	3.4 Miles	4500 Alexander	4500 Alexander Boulevard NE, Albuquerque	Paychex, Inc.	3/1/2020	31,245	\$12.75
No. 3	4.6 Miles	Jefferson Commons	5601 Office Boulevard NE, Ste 101, Albuquerque	Quest Diagnostic	1/1/2020	28,078	\$17.00
No. 4	8.7 Miles	Altura Preparatory Sch	8650 Alameda Blvd. NE, Albuquerque, NM	Altura Preparatory Sch	7/1/2019	21,551	\$14.00
No. 5	7.9 Miles	Copper Pointe Business	10500 Copper Ave NE, Ste 1, Albuquerque, NM	Peraton Inc.	11/1/2018	13,316	\$16.06
No. 6	3.0 Miles	Albuquerque Institute of	1155 University Blvd. SE, Albuquerque, NM	Albuquerque Institute of	1/1/2018	29,708	\$14.69



## LEASE ADJUSTMENT TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Name	Tierra Adentro Charter School Foundation	6100 Uptow n	4500 Alexander	Jefferson Commons	Altura Preparatory School	Copper Pointe Business Park	Albuquerque Institute of Mathematics & Science
Address	1701 Bellamah Avenue Northwest	6100 Uptow n Blvd. NE, Ste 700	4500 Alexander Boulevard NE	5601 Office Boulevard NE, Ste 101	8650 Alameda Blvd. NE	10500 Copper Ave NE, Ste 1	1155 University Blvd. SE
City	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque	Albuquerque
NRA	38,101	95,477	100,467	48,988	21,551	211,077	29,708
Location	Average	Good	Average	Average	Average	Average	Average
Quality	Good	Good	Average	Good	Average	Good	Average
Condition	Good	Good	Average	Good	Average	Average	Average
Exposure	Average	Average	Average	Average	Average	Average	Average
Access	Average	Average	Average	Average	Average	Average	Average
LEASE INFORMATION							
Tenant Name		Verus Research	Paychex, Inc.	Quest Diagnostic	Altura Preparatory School	Peraton Inc.	Albuquerque Institute of Mathematics & Science at UNM
Floor		7	2	1	1	2	1
Commencement Date		9/1/2020	3/1/2020	1/1/2020	7/1/2019	11/1/2018	1/1/2018
Lease Type		New	New	Renew al	New	Renew al	Expansion
Lease Status		Signed	Signed	Signed	Signed	Signed	Signed
Rate Type		FSG	NNN	NNN	NNN	MG	MG
Size (SF)		27,000	31,245	28,078	21,551	13,316	29,708
Term (Yrs)		8.0	8.3	5.2	.7	5.0	5.5
Rent (\$/SF/Yr.)		\$22.50	\$12.75	\$17.00	\$14.00	\$16.06	\$14.69
Avg. Escalation/Yr		-	2.5%	3.0%	2.2%	3.0%	2.3%
Concessions		0	3 Mos.	2 Mos.	1 Mos.	-	-
TI's (\$/SF)		\$5	\$43	-	-	\$5	-
TRANSACTIONAL ADJUSTMENTS							
Lease Type		(\$5.00)	\$0.00	\$0.00	\$0.00	(\$1.50)	(\$1.50)
Concessions		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Market Conditions¹		0%	0%	1%	2%	3%	5%
Subtotal Eff Rent		\$17.50	\$12.75	\$17.17	\$14.28	\$15.00	\$13.85
PROPERTY ADJUSTMENTS							
Location		-5%	10%	0%	0%	10%	0%
Size (Tenant)		0%	0%	0%	0%	-10%	0%
Quality		0%	10%	0%	10%	0%	10%
Condition		0%	10%	0%	10%	10%	10%
Exposure		0%	0%	0%	0%	0%	0%
Access		10%	0%	0%	0%	0%	0%
Subtotal Property Adj		5%	30%	0%	20%	10%	20%
Subtotal Tenant Adj		0%	0%	0%	0%	0%	0%
TOTAL ADJUSTED RENT		\$18.38	\$16.58	\$17.17	\$17.14	\$16.50	\$16.62
STATISTICS	UNADJUSTED	ADJUSTED	MARKET CONCESSIONS¹				
LOW	\$12.75	\$16.50	Lease Type	Triple Net			
HIGH	\$22.50	\$18.38	Free Rent	0-3 Mos.			
MEDIAN	\$15.38	\$16.88	TIs	\$0-\$10/SF			
AVERAGE	\$16.17	\$17.07					

<sup>1</sup> Market Conditions Adjustment - Compound annual change in market conditions: 2%

Date of Value (for adjustment calculations): 4/16/20

## Market Lease Analysis

The lease comparables indicate an adjusted lease rate range from \$16.50 to \$18.38/SF, with a median of \$16.88/SF and an average of \$17.07/SF. The range of total net adjustment applied to the comparables was from -18% to 30%, with an average net adjustment across all comparables of 9%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases

the credibility of the analysis. The adjustment process for each comparable is discussed in the following paragraphs.

### Discussion of Adjustments

Comparable 1 (\$18.38/SF as adjusted) required a total downward transaction adjustment of -\$5.00. Comp 1 was structured on a full service basis under which the landlord paid for all operating expenses, save janitorial; therefore, a downward adjustment was made. This comparable required a total upward adjustment of 5% for property characteristics. Comp 1 is superior to the subject with regard to location due to its placement in the Uptown submarket, a submarket exhibiting higher demand and land values, and was adjusted downward accordingly. Comp 1 is inferior to the subject with regard to access as this space is located on the 7th floor; therefore, an upward adjustment was made. The total net adjustment applied to this comparable was downward by -18%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 2 (\$16.58/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 30% for property characteristics. Comp 2 is inferior to the subject with regard to location due to its placement in a neighborhood exhibiting lower land values and was adjusted upward accordingly. Comp 2 is inferior to the subject with regard to construction quality and age/condition as it is an average quality construction exhibiting a higher effective age than the subject and was adjusted upward accordingly. The total net adjustment applied to this comparable was upward by 30%. The moderate level of net adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given secondary consideration as a value indicator for the subject.

Comparable 3 (\$17.17/SF as adjusted) required a total upward transaction adjustment of \$0.17. Comp 3 was adjusted upward for market conditions due to its older execution date and subsequent escalations. This comparable did not require any property characteristic adjustments. The total net adjustment applied to this comparable was upward by 1%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 4 (\$17.14/SF as adjusted) required a total upward transaction adjustment of \$0.28. Comp 4 was adjusted upward for market conditions due to its older execution date and subsequent escalations. This comparable required a total upward adjustment of 20% for property characteristics. Comp 4 is inferior to the subject with regard to construction quality and age/condition as it is an average quality construction exhibiting a higher effective age than the subject and was adjusted upward accordingly. The total net adjustment applied to this comparable was upward by 22%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants secondary consideration as a value indicator for the subject.

Comparable 5 (\$16.50/SF as adjusted) required a total downward transaction adjustment of -\$1.06. Comp 5 was structured on a modified gross basis under which the landlord is responsible for property taxes, insurance and some repairs/maintenance; therefore, a downward adjustment was made. Comp 5 was adjusted upward for market conditions due to its older execution date and subsequent escalations. This comparable required a total upward adjustment of 10% for property characteristics. Comp 5 is inferior to the subject with regard to location due to its placement in a neighborhood exhibiting lower land values and was adjusted upward accordingly. Comp 5 is smaller than the subject and was adjusted downward accordingly. Comp 5 is inferior to the subject with regard to age/condition as it exhibits a higher effective age than the subject and was adjusted upward accordingly. The total net adjustment applied to this comparable was upward by 3%. The minimal amount of net



adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 6 (\$16.62/SF as adjusted) required a total downward transaction adjustment of -\$0.84. Comp 6 was structured on a modified gross basis under which the landlord is responsible for property taxes, insurance and some repairs/maintenance; therefore, a downward adjustment was made. Comp 6 was adjusted upward for market conditions due to its older execution date and subsequent escalations. This comparable required a total upward adjustment of 20% for property characteristics. Comp 6 is inferior to the subject with regard to construction quality and age/condition as it is an average quality construction exhibiting a higher effective age than the subject and was adjusted upward accordingly. The total net adjustment applied to this comparable was upward by 13%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

### MARKET RENT CONCLUSION

The comparables indicate an adjusted lease rate range from \$16.50 to \$18.38/SF, with a median of \$16.88/SF and an average of \$17.07/SF. Based on the results of the preceding analysis, Comparable 1 (\$18.38/SF adjusted), Comparable 3 (\$17.17/SF adjusted), Comparable 5 (\$16.50/SF adjusted) and Comparable 6 (\$16.62/SF adjusted) are given primary consideration for the lease rate conclusion.

The following table summarizes the analysis of the comparables leases and the market rent conclusion.

LEASE CONCLUSION TABLE								
LEASE	LEASE RATE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL			
1	\$22.50	(\$5.00)	\$17.50	5%	\$18.38	-18%	37%	PRIMARY
2	\$12.75	\$0.00	\$12.75	30%	\$16.58	30%	30%	SECONDARY
3	\$17.00	\$0.17	\$17.17	0%	\$17.17	1%	1%	PRIMARY
4	\$14.00	\$0.28	\$14.28	20%	\$17.14	22%	22%	SECONDARY
5	\$16.06	(\$1.06)	\$15.00	10%	\$16.50	3%	42%	PRIMARY
6	\$14.69	(\$0.84)	\$13.85	20%	\$16.62	13%	35%	PRIMARY
LOW	\$16.50					AVERAGE		\$17.07
HIGH	\$18.38					MEDIAN		\$16.88
AVERAGE CONTRACT			ASKING	ACHIEVABLE MRKT RANGE				CONCLUSION
-			N/A	\$16.50 - \$17.50				\$17.50

<sup>1</sup>Cumulative <sup>2</sup>Additive (Includes Tenant Adjustments)

### Comparable Rent Data Sheets

The following pages present the rent comparable data sheets that were used in the prior analysis.

**COMPARABLE 1****PHYSICAL INFORMATION**

Name	6100 Uptown
Address	6100 Uptown Blvd. NE, Ste 700
City, State, Zip Code	Albuquerque, NM 87110
MSA	Albuquerque, NM
Net Rentable Area (NRA)	95,477
Year Built	1983
Occupancy	95.0%
Site Size	130,680
Site Coverage	10.4%
Construction	Concrete Tilt-up
Building Class	A
Floors	7

**6100 UPTOWN****CONFIRMATION**

Name	Jason Lott
Source	Leasing Broker
Date / Phone Number	01/23/2020 +1 505 837 4910

**REMARKS**

The information reported is based on inferences from the leasing broker who was unable to disclose specific terms aside from the fact that it was an 8-year deal with minimal TIs near the asking rate of \$22.50/SF. The tenant already had a presence in the building occupying 12,700 SF on the second floor. The tenant will move to the entire 7th floor containing 27,000 SF. The tenant occupies three other spaces in Albuquerque for a total of about 56,000 SF. Verus has 88 employees and plans to hire 10 more by lease commencement. Last year, Verus expected \$16 million in total revenue.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Verus Research	FSG	27,000	9/1/2020	8	\$22.50	\$18.38

**COMPARABLE 2****PHYSICAL INFORMATION**

Name	4500 Alexander
Address	4500 Alexander Boulevard NE
City, State, Zip Code	Albuquerque, NM 87107
Net Rentable Area (NRA)	100,467
Year Built	1988
Site Size	340,580
Site Coverage	15.7%
Construction	Concrete
Parking Spaces	428
Parking Ratio	4.30
Building Class	B
Floors	2

**4500 ALEXANDER****CONFIRMATION**

Name	
Source	Lease Document
Date / Phone Number	07/23/2019

**REMARKS**

5,695 SF will be on the first floor and 25,550 SF will be on the second floor. The second floor space was essentially in shell condition. The tenant received \$43.20 psf in tenant improvement allowance which the leasing agent considered a tad high for the market; however, the property was on the market at \$12.50 NNN for a five year term. Due to the slightly higher rental rate, they increased the term to 7 years and the rental rate to \$12.75 PSF.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Paychex, Inc.	NNN	31,245	3/1/2020	8	\$12.75	\$16.58

**COMPARABLE 3****PHYSICAL INFORMATION**

Name	Jefferson Commons
Address	5601 Office Boulevard NE, Ste 101
City, State, Zip Code	Albuquerque, NM 87109
Net Rentable Area (NRA)	48,988
Year Built	1999
Site Size	179,467
Site Coverage	28.3%
Construction	Steel
Parking Spaces	202
Parking Ratio	4.10
Building Class	B
Floors	1

**JEFFERSON COMMONS****CONFIRMATION**

Name	Tom Jenkins
Source	Leasing Broker
Date / Phone Number	07/25/2019 +1 505 837 4901

**REMARKS**

The space is built-out with office and lab finishes.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Quest Diagnostic	NNN	28,078	1/1/2020	5	\$17.00	\$17.17

**COMPARABLE 4****PHYSICAL INFORMATION**

Name	Altura Preparatory School
Address	8650 Alameda Blvd. NE
City, State, Zip Code	Albuquerque, NM 87122
Net Rentable Area (NRA)	21,551
Year Built	2009
Construction	Steel/Frame
Building Class	B

**ALTURA PREPARATORY SCHOOL****CONFIRMATION**

Name	
Source	Lease Document
Date / Phone Number	12/31/2019

**REMARKS**

The property is comprised of Unit 300W of Hope Plaza Condominiums. The tenant has the option to purchase the subject for \$3,500,000 increasing 3% annually. The tenant will initially occupy 11,038 SF the first year of the lease and will occupy the entire 21,551 SF by Year 4.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Altura Preparatory School	NNN	21,551	7/1/2019	1	\$14.00	\$17.14



**COMPARABLE 5****PHYSICAL INFORMATION**

Name	Copper Pointe Business Park
Address	10500 Copper Ave NE, Ste 1
City, State, Zip Code	Albuquerque, NM 87123
MSA	Albuquerque, NM MSA
Net Rentable Area (NRA)	211,077
Year Built	2008
Occupancy	35.0%
Site Size	805,860
Site Coverage	26.2%
Construction	Concrete block
Parking Spaces	1,000
Parking Ratio	4.74
Floor Area Ratio	26.00

**COPPER POINTE BUSINESS PARK****CONFIRMATION**

Name	Tom Jenkins
Source	Leasing Broker
Date / Phone Number	07/25/2019 +1 505 837 4901

**REMARKS**

The space is flex/R&D and the tenant does government contract work.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Peraton Inc.	MG	13,316	11/1/2018	5	\$16.06	\$16.50

**COMPARABLE 6****PHYSICAL INFORMATION**

Name	Albuquerque Institute of Mathematics & Science
Address	1155 University Blvd. SE
City, State, Zip Code	Albuquerque, NM 87106
MSA	Albuquerque, NM
Net Rentable Area (NRA)	29,708
Site Size	125,453
Site Coverage	23.9%
Parking Spaces	437
Parking Ratio	7.30
Floors	2

**ALBUQUERQUE INSTITUTE OF MATHEMATICS & SCIENCE****CONFIRMATION**

Name	
Source	Lease Document
Date / Phone Number	10/11/2018

**REMARKS**

This lease represents a renewal/expansion. In 2018, the tenant vacated 2,854 SF of its base premises and took occupancy of an additional 14,700 SF of space in the address listed above. This leased space in its entirety now includes spaces in two separate buildings. Upon expansion, the tenant received a TI Allowance in the amount of \$82,577.68 or \$2.78/SF. This is a modified gross lease. The landlord is responsible for repairs, maintenance, and management fees. The tenant is responsible for the remainder. There is no purchase option present in this agreement.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Albuquerque Institute of Mathe	MG	29,708	1/1/2018	6	\$14.69	\$16.62

## POTENTIAL GROSS RENT

Our analysis and conclusions of the subject's potential gross rent are detailed as follows:

POTENTIAL GROSS RENT	
Annual	\$666,768
PSF (YR.)	\$17.50
PSF (MO.)	\$1.46

## INCOME & EXPENSE ANALYSIS

The preceding sections estimated potential gross rent and addressed risk factors associated with the rental income of the subject property. The following section presents our analysis and conclusions for other revenue, vacancy and credit loss and operating expenses. These are summarized in the following table, along with our estimate of income and expenses on a stabilized basis.

### Expense Reimbursements

Our analysis and conclusions of the subject's expense reimbursements are detailed as follows:

TOTAL REIMBURSEMENT INCOME				
YEAR	TOTAL	\$/SF	%EGI	ANALYSIS
PROFORMA	\$57,151	\$1.50	8.3%	Reimbursements for the triple net leases <sup>1</sup> include: real estate taxes (estimated at \$0 in this case), property insurance and repairs/maintenance.

The rental income conclusion assumes a triple net expense structure where the tenant pays all operating expenses directly or through reimbursement to the owner, and the balance of the operating expenses including management and reserves for replacements are incurred by the subject owner. These reimbursements were based on the operating expenses that are concluded later in the Income Approach.

## VACANCY AND CREDIT LOSS

General vacancy was discussed in depth in the market analysis section of this report. Please reference that discussion for a full analysis. Regarding credit loss, non-sophisticated investors often lump this allocation within the general vacancy loss factor when using direct capitalization. Whereas, sophisticated investors generally apply credit loss in a range from none to 2% depending on the quality of tenant mix and current economic conditions. Our general vacancy and credit loss conclusions are summarized in the following table and are intended to mirror behavior of typical purchasers of the subject.

VACANCY & CREDIT LOSS	
General Vacancy Rate	5.0%
Credit Loss Conclusion	Inc.
<b>Total</b>	<b>5.0%</b>

As previously discussed, the subject will be 100% owner occupied.

## ANALYSIS OF OPERATING EXPENSES

The operating expenses for the subject property were presented previously. The following chart summarizes comparable expenses.

## EXPENSE COMPARABLES

COMPARABLE	COMP 1		COMP 2		COMP 3		COMP 4		COMP 5		LOW	HIGH	AVG
City	Albuquerque		Albuquerque		Albuquerque		Albuquerque		Albuquerque		-	-	-
State	NM		NM		NM		NM		NM		-	-	-
Expense Year	2018		2018		2019		2018		2019		2018	2019	2019
Net Rentable Area	9,078		66,550		66,783		14,304		34,580		9,078	66,783	38,259
Year Built	1986		2005		1999		1988		2003		1986	2005	1996
<b>EFFECTIVE GROSS INCOME</b>	\$11.26		\$19.80		\$19.89		\$16.99		\$12.63		\$11.26	\$19.89	\$16.11
<b>EXPENSE ITEMS</b>	<b>\$/SF</b>	<b>%EGI</b>	<b>\$/SF</b>	<b>%EGI</b>	<b>\$/SF</b>	<b>%EGI</b>	<b>\$/SF</b>	<b>%EGI</b>	<b>\$/SF</b>	<b>%EGI</b>	<b>LOW</b>	<b>HIGH</b>	<b>AVG</b>
Real Estate Taxes	\$0.62	5.5%	\$0.47	2.4%	\$2.20	11.0%	\$1.12	6.6%	\$0.00	0.0%	\$0.00	\$2.20	\$0.88
Property Insurance	\$0.26	2.3%	\$0.11	0.6%	\$0.30	1.5%	\$0.41	2.4%	\$0.25	2.0%	\$0.11	\$0.41	\$0.27
Repairs and Maintenance	\$0.59	5.3%	\$1.31	6.6%	\$2.05	10.3%	\$1.00	5.9%	\$1.25	9.9%	\$0.59	\$2.05	\$1.24
Management Fees	\$0.56	5.0%	\$0.59	3.0%	\$0.70	3.5%	\$1.04	6.1%	\$0.38	3.0%	\$0.38	\$1.04	\$0.65
Ground Rent	-	-	-	-	-	-	-	-	-	-	\$0.00	\$0.00	-
Reserves	-	-	-	-	-	-	-	-	-	-	\$0.00	\$0.00	-
<b>TOTAL EXPENSES (\$/SF)</b>	<b>\$2.04</b>	<b>18.1%</b>	<b>\$2.48</b>	<b>12.5%</b>	<b>\$5.24</b>	<b>26.4%</b>	<b>\$3.57</b>	<b>21.0%</b>	<b>\$1.88</b>	<b>14.9%</b>	<b>\$1.88</b>	<b>\$5.24</b>	<b>\$3.04</b>

## CONCLUSION OF OPERATING EXPENSES

In the following section we discuss the individual expense conclusions for the subject property.

## EXPENSE ANALYSIS &amp; CONCLUSIONS

## REAL ESTATE TAXES

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	\$0.62	5.5%
				2	\$0.47	2.4%
				3	\$2.20	11.0%
				4	\$1.12	6.6%
				5	\$0.00	0.0%

## ANALYSIS

We assume the subject will continue to be exempt from property taxes given its highest and best use for continued charter school use. Please refer to the Assessments and Taxes section for additional details.

<b>CONCLUSION</b>	<b>\$0</b>	<b>-</b>	<b>0.0%</b>	<b>AVG</b>	<b>\$0.88</b>	<b>5.1%</b>
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## PROPERTY INSURANCE

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	\$0.26	2.3%
				2	\$0.11	0.6%
				3	\$0.30	1.5%
				4	\$0.41	2.4%
				5	\$0.25	2.0%

## ANALYSIS

This expense includes all premiums and costs incurred for insurance covering structures, public liability, rental value, equipment and bonding of employees. The conclusion is based on the expense comparable information.

<b>CONCLUSION</b>	<b>\$9,525</b>	<b>\$0.25</b>	<b>1.4%</b>	<b>AVG</b>	<b>\$0.27</b>	<b>1.8%</b>
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## REPAIRS AND MAINTENANCE

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	\$0.59	5.3%
				2	\$1.31	6.6%
				3	\$2.05	10.3%
				4	\$1.00	5.9%
				5	\$1.25	9.9%

## ANALYSIS

This expense covers the cost of all other routine maintenance and repairs including routine maintenance and repairs to the roof, pest control and equipment maintenance. The conclusion is based on the expense comparable information.

<b>CONCLUSION</b>	<b>\$47,626</b>	<b>\$1.25</b>	<b>6.9%</b>	<b>AVG</b>	<b>\$1.24</b>	<b>7.6%</b>
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**MANAGEMENT FEES**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	\$0.56	5.0%
				2	\$0.59	3.0%
				3	\$0.70	3.5%
				4	\$1.04	6.1%
				5	\$0.38	3.0%

**ANALYSIS**

This expense reflects the professional management service for the subject. The conclusion is based on the expense comparable information.

<b>CONCLUSION</b>	<b>\$20,632</b>	<b>\$0.54</b>	<b>3.0%</b>	<b>AVG</b>	<b>\$0.65</b>	<b>4.1%</b>
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**GROUND RENT**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	-	-
				2	-	-
				3	-	-
				4	-	-
				5	-	-

**ANALYSIS**

This includes the subject's contractual ground lease payment. The ground lease payment is currently \$26,414 annually.

<b>CONCLUSION</b>	<b>\$26,414</b>	<b>\$0.69</b>	<b>3.8%</b>	<b>AVG</b>	<b>-</b>	<b>-</b>
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**RESERVES**

YEAR	SUBJECT			EXPENSE COMPS		
	TOTAL	\$/SF	%EGI	COMP	\$/SF	%EGI
				1	-	-
				2	-	-
				3	-	-
				4	-	-
				5	-	-

**ANALYSIS**

We have made no provision for reserves since reserves are implicit in the overall capitalization rates extracted from the comparable sales, typical of the market area.

<b>CONCLUSION</b>	<b>\$0</b>	<b>-</b>	<b>0.0%</b>	<b>AVG</b>	<b>-</b>	<b>-</b>
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TOTAL EXPENSES			LOW	HIGH	CONCLUSION
EXPENSE COMPARABLES \$/SF			\$1.88	\$5.24	The subject's expenses fall within the range exhibited by the comparables and are considered reasonable.
EXPENSE COMPARABLES %EGI			12.5%	26.4%	
TOTAL EXPENSES \$/SF			\$2.73		
TOTAL EXPENSES %EGI			15.2%		
<b>TOTAL EXPENSES</b>			<b>\$104,197</b>		

**DEVELOPMENT OF CAPITALIZATION RATE**

The going-in capitalization rate, also known as overall rate (OAR), can be determined using several sources and methods. In developing our opinion of OAR, the following techniques were used:

- › Comparable Sales (Sales Comparison Approach)
- › Supplemental Comparable Sales (Competitive Market)
- › Investor Surveys
- › Band of Investment Technique

**Comparable Sales**

The following table presents a summary of the comparable sales used ahead in the Sales Comparison Approach, and the capitalization rates from each of those sales. We have included additional sales (Comparables 7 thru 28) to further support capitalization rate trends for the subject property.



## CAPITALIZATION RATE COMPARABLES (OAR)

NAME	CITY	ST	SALE DATE	YR BLT	NRA	\$/SF	SALE PRICE	NOI	NOI/SF	CAP RATE
1 American Leadership Academy	Gilbert	AZ	October 31, 2019	2017	49,300	\$286	\$14,115,032	-	-	-
2 South Phoenix Prep	Phoenix	AZ	June 7, 2019	2012	55,313	\$204	\$11,286,704	-	-	-
3 Learning Foundation & Performing Ar	Gilbert	AZ	April 30, 2019	2013	44,571	\$232	\$10,337,850	-	-	-
4 21st Century Public Academy	Albuquerque	NM	July 2, 2018	1999	25,405	\$226	\$5,748,707	-	-	-
5 Explore Academy	Albuquerque	NM	May 10, 2018	1990	36,318	\$189	\$6,850,000	-	-	-
6 Leman Academy of Excellence	Tucson	AZ	September 25, 2019	2018	59,475	\$306	\$18,210,744	-	-	-

## ADDITIONAL COMPS - CHARTER SCHOOLS

7 Albuquerque School of Excellence	Albuquerque	NM	February 5, 2016	1995	55,000	\$64	\$3,500,000	\$660,000	\$12.00	10.82%
8 The Great Academy	Albuquerque	NM	June 30, 2015	1986	15,040	\$90	\$1,350,000	\$187,650	\$12.48	13.90%
9 Los Puentes Charter School	Albuquerque	NM	November 5, 2014	1980	19,579	\$145	\$2,840,000	\$306,382	\$15.65	10.79%
10 Cesar Chavez Community School	Albuquerque	NM	Option	1973	26,000	\$132	\$3,430,000	\$322,420	\$12.40	9.40%
11 Altura Preparatory	Albuquerque	NM	Option	2009	21,551	\$162	\$3,500,000	\$301,714	\$14.00	8.62%
12 Kid's Community College II	Riverview	FL	August 10, 2017	2013	31,632	\$259	\$8,208,100	\$619,712	\$19.59	7.55%
13 Imagine South Lake Charter School	Clemont	FL	June 13, 2019	2005	52,563	\$385	\$20,250,000	\$1,555,200	\$29.59	7.68%
14 ACE Leadership HS	Albuquerque	NM	Option	2016	25,001	\$203	\$5,064,611	\$485,196	\$19.41	9.58%
15 10007 Clodine Rd.	Richmond	TX	November 1, 2019	2018	66,000	\$258	\$17,050,000	\$1,116,775	\$16.92	6.55%
16 771 Grapevine Hwy	Dallas	TX	September 12, 2019	2019	10,000	\$405	\$4,051,525	\$288,063	\$28.81	7.11%
17 Imagine Charter School at Brow ard	Coral Springs	FL	June 28, 2019	2000	57,034	\$338	\$19,300,000	\$1,414,690	\$24.80	7.33%
18 Renaissance Charter School	Tamarac	FL	July 28, 2017	1982	85,233	\$262	\$22,296,330	\$1,560,743	\$18.31	7.00%

## ADDITIONAL COMPS - CHARTER SCHOOLS

19 Tanoan Office Plaza	Albuquerque	NM	December 13, 2019	1986	48,575	\$83	\$4,025,000	\$390,425	\$8.04	9.70%
20 1640-1850 Old Pecos Trail	Santa Fe	NM	August 15, 2019	1986	83,188	\$133	\$11,058,263	\$884,661	\$10.63	8.00%
21 Uptown Office Building	Albuquerque	NM	June 5, 2019	1988	14,304	\$115	\$1,650,000	\$134,805	\$9.42	8.17%
22 2616-2632 Mesilla St. NE	Albuquerque	NM	June 5, 2019	1988	14,304	\$115	\$1,650,000	\$134,805	\$9.42	8.17%
23 502 W. Cordova Rd.	Santa Fe	NM	February 27, 2019	1995	8,823	\$133	\$1,170,000	\$103,194	\$11.70	8.82%
24 Multi-tenant Flex Building	Albuquerque	NM	October 18, 2018	1999	52,465	\$126	\$6,600,000	\$613,800	\$11.70	9.30%
25 Davis Square	Albuquerque	NM	September 18, 2018	1963	11,588	\$54	\$630,000	\$75,852	\$6.55	12.04%
26 Altura Office Complex	Albuquerque	NM	August 24, 2018	1980	148,211	\$127	\$18,850,000	\$1,619,215	\$10.93	8.59%
27 Carlisle Multitenant	Albuquerque	NM	May 13, 2016	1983	7,216	\$90	\$647,000	\$59,848	\$8.29	9.25%
28 2101 Mountain Rd. NW	Albuquerque	NM	July 25, 2019	1992	16,056	\$82	\$3,200,000	\$155,291	\$6.90	7.72%

<b>LOW</b>	November 5, 2014	<b>6.55%</b>
<b>HIGH</b>	December 13, 2019	<b>13.90%</b>
<b>AVERAGE</b>	August 6, 2018	<b>8.91%</b>
<b>MEDIAN</b>	April 30, 2019	<b>8.61%</b>

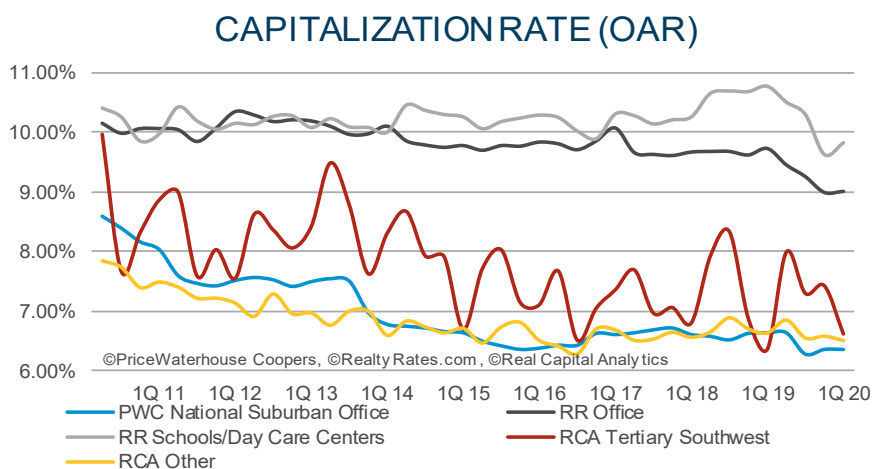
Sales of charter schools in the subject's market are scarce and are generally representative of older structures with shorter remaining lease terms, i.e. higher OARs. We have also included regional sales of newer charter schools (OARs 12, 13, 15, 16, 17 and 18) which indicate a range of 6.55% to 7.68%. Consequently, we have also included overall capitalization rates for alternative investments in the area for reference and as a basis for comparison.

As confirmed by regional sales, charter school comparables exhibit overall capitalization rates generally in line with alternate investments having similar effective ages and remaining lease terms; however, newer facilities leased on long-term bases exhibit the lowest OARs. The charter school comparables exhibit overall capitalization rates ranging from 6.55% to 13.9% and average 8.86%, whereas the alternative investment comparables average 8.98%.

## Investor Surveys

The potential investor pool for the subject asset includes national, regional and local investors. While all of these groups place emphasis on local cap rates, regional and national investors would also strongly consider national cap rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return.

The following graph provides a historical illustration of capitalization rate statistics as surveyed by investors that we considered to be relevant to the subject property.



The following table provides the most recent survey results from investors and Our independent market participant interview.

CAPITALIZATION RATE SURVEYS (OAR)			
SOURCE	QUARTER	RANGE	AVG
<b>PriceWaterhouse Coopers</b>			
National Suburban Office	1Q 20	4.30% to 9.00%	6.36%
<b>RealtyRates.com</b>			
Office	1Q 20	4.34% to 12.61%	9.00%
Schools/Day Care Centers	1Q 20	5.42% to 14.40%	9.82%
<b>Real Capital Analytics</b>			
Tertiary Southwest	1Q 20		6.62%
Other	1Q 20		6.52%
<b>AVERAGE</b>		<b>4.69% to 12.00%</b>	<b>7.66%</b>

As published by Realty Rates, overall capitalization rates for schools/day care centers range from 5.42% to 14.40% and average 9.82%.

Mr. Adam Lyons of Champion, a development company in Arizona specializing in charter school development, reported that they base their option purchase prices (which are actually purchase obligations in their leases) based on an 8% overall capitalization rate with 8.5% being conservative. However, Mr. Lyons stated that their company only works with schools that have three or more locations with student enrollment between 300 and 600 students and that they pay careful attention to the governance board and financial statements of each school they work with. All factors considered, Mr. Lyons typically works with strong tenants, which explains the lower overall capitalization rates implied in their option purchase prices. Mr. Lyons further noted that the length of a school's charter is highly important in determining an appropriate overall capitalization rate. In Arizona, charters are typically between 15 and 20 years, whereas in New Mexico, charters are typically for five years. Therefore, longer charters in Arizona mixed with strong tenants also leads to lower overall capitalization rates. Mr. Lyons noted that for schools with charters expiring in a few years that he would expect a 9.5% to 10% overall capitalization rate. The most notable factor extracted from this interview is the 100 to 200 basis point premium for short-term versus long-term leases.

In an article titled "Making Bank on Day Cares and Charter Schools," CoStar reporter Mr. Mark Heschmeyer reports that there are around 6,000 charter schools in the U.S. and cap rates can range from 9% to 10%.

With regard to overall capitalization rates for charter schools specifically, Mr. Richard E. Polton, MAI states that an appropriate overall capitalization rate for a charter school should take into account the various forms of risk associated with charter schools as well as the possibility of alternate uses of the property in the event of charter school changes.<sup>5</sup> The various forms of risk associated with charter schools include charter renewal risk, construction risk, repayment risk, collateral risk and appropriation risk.<sup>6</sup> With regard to the possibility of alternate uses of the property in the event of charter school changes, Mr. Polton states, "There is a potential inability to remarket a building that has functioned as a former charter school facility that may impact the ability to liquidate the asset and repay the loan. However, according to a 2005 study by the Kauffman Foundation,<sup>7</sup> the vast majority of facilities are able to be leased or sold to others on terms no less favorable to the lender or landlord when school tenants vacate prematurely. The current rate of reuse on equivalent terms is 95.8%."<sup>8</sup> These factors combined lead to higher overall capitalization rates for charter schools when compared to more typical investments, such as professional office buildings, the comparable overall capitalization rates of which we have reported above.

We have finally considered Ms. Shelly Branscom's comment (see Market Participant Interviews above) wherein she believes that charter schools should reflect overall rates of office or industrial properties (whichever a charter school could most easily be converted to). Weighing that with Mr. Polton's comments and the comparable charter school sales presented above, we believe charter schools should exhibit a similar overall rate compared to office or industrial properties, particularly with regard to newer facilities.

### Band of Investment Technique

Because most properties are purchased with debt and equity capital, the overall capitalization rate must satisfy the market return requirements of both investment positions. Lenders must anticipate receiving a competitive interest rate commensurate with the perceived risk of the investment or they will not make funds available. Lenders also require that the principal amount of the loan be repaid through amortization payments. Similarly, equity investors must anticipate receiving a competitive equity cash return commensurate with the perceived risk or they will invest their funds elsewhere.

To analyze the capitalization rate from a financial position, the Band of Investment Technique is used. Available financing information indicates the following terms:

BAND OF INVESTMENT ASSUMPTIONS	
Loan Amortization Period	30 Years
Interest Rate	4.25%
Loan-to-Value (LTV) Ratio	70%
Mortgage Constant	5.90%

Equity dividend rates vary depending upon motivations of buyers and financing terms. The previous terms and an appropriate equity dividend rate are used in the Band of Investments calculations, which are presented on the following chart.

BAND OF INVESTMENT CALCULATION				
Mortgage Component	70%	x	5.90%	= 4.132%
Equity Component	30%	x	11.00%	= 3.300%
Indicated Capitalization Rate				7.432%
<b>INDICATED CAPITALIZATION RATE</b>				<b>7.43%</b>

<sup>5</sup> Richard E. Polton, MAI and Joseph Portelli, "Charter Schools – An Appraisal Challenge," *The Appraisal Journal*, Vol. 77, No. 3, Summer 2009, p. 251.

<sup>6</sup> Charter School Facilities, "Section VI: Financing Your Charter School Facility," [http://www.uscharterschools.org/gb/dev\\_fin/financing.htm](http://www.uscharterschools.org/gb/dev_fin/financing.htm).

<sup>7</sup> Ewing Marion Kauffman Foundation, *Debunking the Real Estate Risk of Charter Schools* (2005), 5.

<sup>8</sup> Polton, p. 251.

**Capitalization Rate Conclusion**

Taking all factors into consideration, the following table summarizes the various capitalization rate indicators and provides the final capitalization rate conclusion.

CAPITALIZATION RATE CONCLUSION (OAR)			
SOURCE	QUARTER	RANGE	AVG
Supplemental Comparable Sales		6.55% to 13.90%	8.91%
Investor Surveys	1Q 20	4.69% to 12.00%	7.66%
Band of Investment Technique			7.43%
<b>AVERAGE</b>		5.62% to 12.95%	8.00%
<b>CAPITALIZATION CONCLUSION (LEASED FEE)</b>			<b>7.50%</b>

Taking all factors into consideration, we conclude to an overall capitalization rate for the subject at 7.5%.

**DIRECT CAPITALIZATION CONCLUSION**

The pro-forma reflecting the subject's completed/stabilized operations is presented in the following table.

DIRECT CAPITALIZATION SUMMATION TABLE					
INCOME ITEMS	%PGI	%EGI	\$/SF(MO.)	\$/SF(YR.)	TOTAL
Base Contract Income			\$1.46	\$17.50	\$666,768
<b>TOTAL RENTAL INCOME</b>			-	-	\$666,768
<b>REIMBURSEMENTS</b>					
Property Tax, Insurance & Repairs Reimbursement			\$0.12	\$1.50	\$57,151
<b>TOTAL REIMBURSEMENTS</b>			\$0.12	\$1.50	\$57,151
<b>POTENTIAL GROSS INCOME (PGI)</b>	<b>100.0%</b>	<b>105.3%</b>	<b>\$1.58</b>	<b>\$19.00</b>	<b>\$723,919</b>
<b>VACANCY &amp; CREDIT LOSS</b>					
Rental Income		(5.0%)	(\$0.07)	(\$0.88)	(\$33,338)
Reimbursement Income		(5.0%)	(\$0.01)	(\$0.07)	(\$2,858)
<b>TOTAL VACANCY &amp; CREDIT LOSS</b>		(5.0%)	(\$0.08)	(\$0.95)	(\$36,196)
<b>EFFECTIVE GROSS INCOME (EGI)</b>	<b>95.0%</b>	<b>100.0%</b>	<b>\$1.50</b>	<b>\$18.05</b>	<b>\$687,723</b>
<b>EXPENSE ITEMS</b>					
Real Estate Taxes	0.0%	0.0%	-	-	\$0
Property Insurance	(1.3%)	(1.4%)	(\$0.02)	(\$0.25)	(\$9,525)
Repairs and Maintenance	(6.6%)	(6.9%)	(\$0.10)	(\$1.25)	(\$47,626)
Management Fees	(2.9%)	(3.0%)	(\$0.05)	(\$0.54)	(\$20,632)
Ground Rent	(3.6%)	(3.8%)	(\$0.06)	(\$0.69)	(\$26,414)
Reserves	0.0%	0.0%	-	-	\$0
<b>TOTAL EXPENSES</b>	<b>(14.4%)</b>	<b>(15.2%)</b>	<b>(\$0.23)</b>	<b>(\$2.73)</b>	<b>(\$104,197)</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>80.6%</b>	<b>84.8%</b>	<b>\$1.28</b>	<b>\$15.32</b>	<b>\$583,525</b>
Capitalization Rate					7.50%
Capitalized Value					\$7,780,339
<b>PROSPECTIVE VALUE UPON COMPLETION</b>				<b>\$204/SF</b>	<b>\$7,780,000</b>

Rounded to nearest \$10,000

## INTRODUCTION

The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

## UNIT OF COMPARISON

The most relevant unit of comparison is the price per square foot of NRA. This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

## COMPARABLE SELECTION

We completed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. In selecting comparables, emphasis was placed on confirming recent improved sales of properties that match the highest and best use, and buyer/seller profile of the subject property. Overall, the sales selected represent the best comparables available for this analysis.

## ADJUSTMENT PROCESS

Quantitative adjustments are made to the comparable sales. The following adjustments or general market trends were considered for the basis of valuation.

### Transactional Adjustments

Dollar adjustments to the comparable sales were considered and made when warranted for transactional adjustments in the sequence shown below:

Property Rights Transferred	The valuation of the subject site was completed on a leasehold basis. If warranted, leased fee, leasehold and/or partial interest sales were adjusted accordingly.
Financing Terms	The subject property was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales.
Expenditures After Purchase	Adjustments were applied if physical conditions warranted expenditures on the part of the buyer to bring the comparable up to functional standards. Most often this adjustment accounts for costs associated with deferred maintenance.
Market Conditions	Market conditions adjustments were based on a review of historical sale data, market participant interviews and review of current versus historical pricing. Based on our research, the following table summarizes the market conditions adjustment applied in this analysis.

#### MARKET CONDITIONS ADJUSTMENT

Per Year As Of	April 2020	(As-Is)	0%
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The market has exhibited value stability during the time from the oldest sale date up through the effective valuation date; therefore a market conditions adjustment is not warranted.

### Property Adjustments

Quantitative percentage adjustments are also made for location and physical characteristics such as size, age, site and parking ratios, access, exposure, quality and condition, as well as other applicable elements of



comparison. Where possible the adjustments applied are based on paired data or other statistical analysis. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

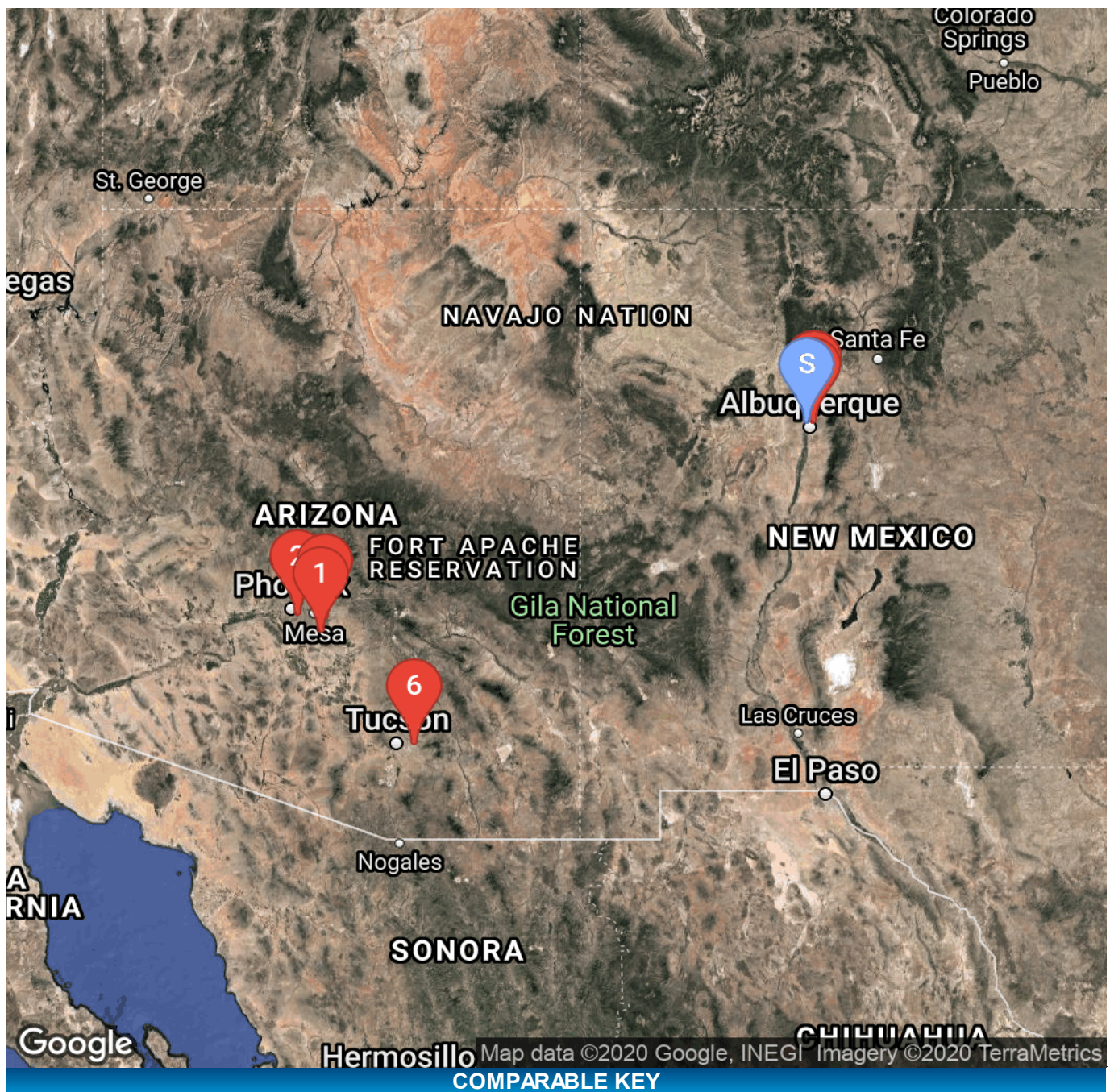
## PRESENTATION

The following Sales Summation Table, Location Map and datasheets summarize the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

### IMPROVED SALES SUMMATION TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
<b>Name</b>	Tierra Adentro Charter School Foundation	American Leadership Academy	South Phoenix Prep	Learning Foundation & Performing Arts School	21st Century Public Academy	Explore Academy	Leman Academy of Excellence
<b>Address</b>	1701 Bellamah Avenue Northwest	1750 E. Riggs Rd	7450 S. 40th St	3939 E Warner Road	4300 Cutler Ave. NE	5100 Masthead St. NE	10100 E Golf Links Road
<b>City</b>	Albuquerque	Gilbert	Phoenix	Gilbert	Albuquerque	Albuquerque	Tucson
<b>State</b>	NM	AZ	AZ	AZ	NM	NM	AZ
<b>Zip</b>	87104	85298	85042	85296	87110	87109	85730
<b>County</b>	Bernalillo	Maricopa	Maricopa	Maricopa	Bernalillo	Bernalillo	Pima
<b>APN</b>	10130593490044 - 0211		122-98-006H, 159	304-28-002N	10170591611123 0907	10170634101474 0235	136-12-953
PHYSICAL INFORMATION							
<b>Property Type</b>	School	School	School	School	School	School	School
<b>GBA (SF)</b>	38,101	49,300	55,313	44,571	25,405	36,318	59,475
<b>NRA (SF)</b>	38,101	49,300	55,313	44,571	25,405	36,318	59,475
<b>Land Area (AC)</b>	1.9	8.0	8.1	6.3	2.8	3.3	9.6
<b>Land Area (SF)</b>	81,022	348,916	351,094	274,428	120,008	143,748	417,740
<b>L:B Ratio</b>	2.1	7.1	6.3	6.2	4.7	4.0	7.0
<b>Location</b>	Average	Average	Average	Average	Average	Average	Good
<b>Quality</b>	Good	Good	Average/Good	Good	Average/Good	Average	Good
<b>Condition</b>	Good	Good	Average/Good	Good	Average/Good	Average	Good/Excellent
<b>Exposure</b>	Average	Average	Average	Average	Good	Average	Average
<b>Access</b>	Average	Good	Average	Average	Average	Average	Average
<b>Year Built</b>	2020	2017	2012	2013	1999	1990	2018
SALE INFORMATION							
<b>Date</b>		10/31/2019	6/7/2019	4/30/2019	7/2/2018	5/10/2018	9/25/2019
<b>Status</b>		Recorded	Recorded	Recorded	Recorded	Recorded	Recorded
<b>Recording Number</b>		876829	2019-0425823	308272	2018057711	2018041008	20192680543
<b>Marketing Period</b>		0 Mos.	9 Mos.	-	7 Mos.	1 Mos.	-
<b>Rights Transferred</b>		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Transaction Price</b>		\$14,115,032	\$11,286,704	\$10,337,850	\$5,748,707	\$4,850,000	\$18,210,744
<b>Analysis Price</b>		\$14,115,032	\$11,286,704	\$10,337,850	\$5,748,707	\$6,850,000	\$18,210,744
<b>\$/SF NRA</b>		<b>\$286</b>	<b>\$204</b>	<b>\$232</b>	<b>\$226</b>	<b>\$189</b>	<b>\$306</b>

## SALES LOCATION MAP



## COMPARABLE KEY

COMP	DISTANCE	NAME	ADDRESS	OCC.	SALE DATE	OAR	\$/SF
SUBJECT	-	Tierra Adentro Charter School For	1701 Bellamah Avenue Northw est, Albuquerque	100.0%	-	-	\$245
No. 1	318.5 Miles	American Leadership Academy	1750 E. Riggs Rd, Gilbert, AZ	100.0%	10/31/2019		\$286
No. 2	326.9 Miles	South Phoenix Prep	7450 S. 40th St, Phoenix, AZ	100.0%	6/7/2019		\$204
No. 3	312.8 Miles	Learning Foundation & Performing	3939 E Warner Road, Gilbert, AZ	100.0%	4/30/2019		\$232
No. 4	3.7 Miles	21st Century Public Academy	4300 Cutler Ave. NE, Albuquerque, NM		7/2/2018		\$226
No. 5	6.0 Miles	Explore Academy	5100 Masthead St. NE, Albuquerque, NM		5/10/2018		\$189
No. 6	310.4 Miles	Leman Academy of Excellence	10100 E Golf Links Road, Tucson, AZ	100.0%	9/25/2019		\$306



**COMPARABLE 1****LOCATION INFORMATION**

Name	American Leadership Academy
Address	1750 E. Riggs Rd
City, State, Zip Code	Gilbert, AZ, 85298
County	Maricopa

**SALE INFORMATION**

Buyer	American Leadership Academy, Inc.
Transaction Date	10/31/2019
Transaction Status	Recorded
Transaction Price	\$14,115,032
Analysis Price	\$14,115,032
Recording Number	876829
Rights Transferred	Fee Simple
Marketing Time	0 Months

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	49,300
Leasable Area (NRA)	49,300
Number of Buildings	1
Year Built	2017
No. of Floors	1
% of Office Build-out	100%
Quality	Good
Condition	Good
Appeal	Average
Building Structure	Brick
Exterior	Mixed
Site Size	8.0 Acres (348,904 SF)
Access	Good
Exposure	Average
Site Coverage (SF)/Ratio	14.1%

**AMERICAN LEADERSHIP ACADEMY****ANALYSIS INFORMATION**

Price per SF	\$286
Adjusted Price per SF	\$243
Capitalization Rate	

**CONFIRMATION**

Name	Confidential	
Company	Confidential	
Source	Confidential	
Date / Phone Number	Confidential	Confidential

**REMARKS**

**COMPARABLE 2****LOCATION INFORMATION**

Name	South Phoenix Prep
Address	7450 S. 40th St
City, State, Zip Code	Phoenix, AZ, 85042
County	Maricopa
APN	122-98-006H, 159

**SALE INFORMATION**

Buyer	Skyline Education, Inc.
Seller	Education Capital Solutions
Transaction Date	06/7/2019
Transaction Status	Recorded
Transaction Price	\$11,286,704
Analysis Price	\$11,286,704
Recording Number	2019-0425823
Rights Transferred	Fee Simple
Financing	Conventional
Conditions of Sale	Purchased By Tenant

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	55,313
Leasable Area (NRA)	55,313
Number of Buildings	4
Year Built	2012
No. of Floors	2
% of Office Build-out	100%
Class	B
Quality	Average/Good
Condition	Average/Good
Appeal	Good
Building Structure	Concrete/Block
Exterior	Concrete
Site Size	8.1 Acres (351,094 SF)
Zoning	S-1
Shape	Rectangular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	7.9%

**SOUTH PHOENIX PREP****ANALYSIS INFORMATION**

Price per SF	\$204
Adjusted Price per SF	\$224
Capitalization Rate	

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	CoStar
Date / Phone Number	09/18/2019 Confidential

**REMARKS**

Tenant exercised purchase option in lease. It was not disclosed when sale price was established.

**COMPARABLE 3****LOCATION INFORMATION**

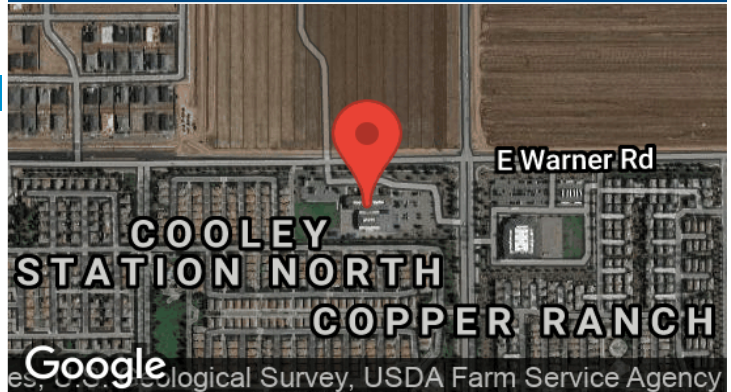
Name	Learning Foundation & Performing Arts School
Address	3939 E Warner Road
City, State, Zip Code	Gilbert, AZ, 85296
County	Maricopa
APN	304-28-002N

**SALE INFORMATION**

Buyer	CAFA Inc
Seller	Joe Kennedy
Transaction Date	04/30/2019
Transaction Status	Recorded
Transaction Price	\$10,337,850
Analysis Price	\$10,337,850
Recording Number	308272
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	44,571
Leasable Area (NRA)	44,571
Number of Buildings	1
Year Built	2013
No. of Floors	2
Parking Spaces / Ratio	75 (/1,000 SF NRA)
% of Office Build-out	100%
Quality	Good
Condition	Good
Appeal	Good
Building Structure	Brick/Masonry
Exterior	Mixed
Site Size	6.3 Acres (274,428 SF)
Zoning	CC
Shape	Rectangular
Topography	Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	8.1%

**LEARNING FOUNDATION & PERFORMING ARTS SCHOOL****ANALYSIS INFORMATION**

Price per SF	\$232
Adjusted Price per SF	\$232
Capitalization Rate	

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	CoStar
Date / Phone Number	11/8/2019 Confidential

**REMARKS**

On April 30, 2019 the school was sold for \$10,337,550 or \$231.94 per square foot. □

The Class B Property was 100% leased to the buyer. □

The buyer was CAFA dba Learning Foundation & Performing Arts which declined to comment on the acquisition. □

The seller publicly traded REIT, EPR Properties based out of Kansas City, MO.



**COMPARABLE 4****LOCATION INFORMATION**

Name	21st Century Public Academy
Address	4300 Cutler Ave. NE
City, State, Zip Code	Albuquerque, NM, 87110
County	Bernalillo
APN	101705916111230907

**SALE INFORMATION**

Buyer	Cutler Charitable Foundation
Seller	Meld, LLC
Transaction Date	07/2/2018
Transaction Status	Recorded
Transaction Price	\$5,748,707
Analysis Price	\$5,748,707
Recording Number	2018057711
Rights Transferred	Fee Simple
Financing	Conventional
Conditions of Sale	Arms-Length

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	25,405
Leasable Area (NRA)	25,405
Number of Buildings	1
Year Built	1999
Year Renovated	2017
No. of Floors	1
Parking Spaces / Ratio	155 (6.1/1,000 SF NRA)
% of Office Build-out	100%
Class	B
Quality	Average/Good
Condition	Average/Good
Appeal	Average
Building Structure	Wood
Exterior	Stucco
Site Size	2.8 Acres (120,008 SF)
Zoning	NR-C
Shape	Rectangular
Topography	Level
Access	Average
Exposure	Good
Site Coverage (SF)/Ratio	21.2%

**21ST CENTURY PUBLIC ACADEMY****ANALYSIS INFORMATION**

Price per SF	\$226
Adjusted Price per SF	\$237
Capitalization Rate	

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Purchase Contract
Date / Phone Number	10/9/2018 Confidential

**REMARKS**

The property was formerly a government office (Social Security Administration) that was converted for charter school use in 2017. The sale was the result of a Lease Purchase Agreement, as amended, initially executed August 9, 2017. The initial price was \$5,500,000. The seller had converted the property to charter school use for an unknown amount prior to purchase. The actual purchase price was \$9,400,217, which included the existing facility at \$5,748,707 as well as the estimated cost to construct a new addition at \$3,651,510. The principal of the school and the seller were unwilling to disclose details of the transaction.

**COMPARABLE 5****LOCATION INFORMATION**

Name	Explore Academy
Address	5100 Masthead St. NE
City, State, Zip Code	Albuquerque, NM, 87109
County	Bernalillo
MSA	Albuquerque, NM
APN	101706341014740235

**SALE INFORMATION**

Buyer	EXPLORE ACADEMY FDN
Seller	JOURNAL CTR CORP
Transaction Date	05/10/2018
Transaction Status	Recorded
Transaction Price	\$4,850,000
Analysis Price	\$6,850,000
Recording Number	2018041008
Rights Transferred	Fee Simple
Conditions of Sale	Arms-Length
Marketing Time	1 Months

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	36,318
Leasable Area (NRA)	36,318
Number of Buildings	1
Year Built	1990
Year Renovated	2018
No. of Floors	1
Parking Spaces / Ratio	258 (9.54/1,000 SF NRA)
% of Office Build-out	100%
Class	B
Quality	Average
Condition	Average
Appeal	Average
Building Structure	Concrete Tilt-up
Exterior	Stucco
Site Size	3.3 Acres (143,748 SF)
Zoning	NR-BP
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	25.3%

**EXPLORE ACADEMY****ANALYSIS INFORMATION**

Price per SF	\$189
Adjusted Price per SF	\$236
Capitalization Rate	

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	Buyer
Date / Phone Number	07/9/2018 Confidential

**REMARKS**

The property was purchased for \$4,850,000 and contained 26,318 SF. The renovation and addition reportedly cost \$2,000,000 and included a renovation of the existing building and a 10,000 SF addition. We have therefore utilized an effective purchase price of \$6,850,000 in our analysis.



**COMPARABLE 6****LOCATION INFORMATION**

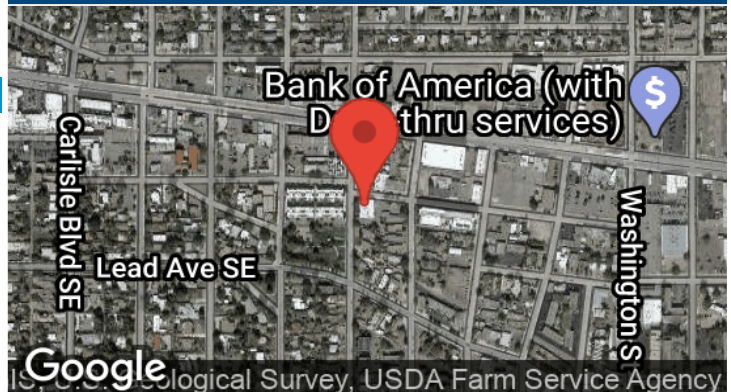
Name	Leman Academy of Excellence
Address	10100 E Golf Links Road
City, State, Zip Code	Tucson, AZ, 85730
County	Pima
APN	136-12-953

**SALE INFORMATION**

Buyer	Leman Academy of Excellence
Seller	Scott Brand
Transaction Date	09/25/2019
Transaction Status	Recorded
Transaction Price	\$18,210,744
Analysis Price	\$18,210,744
Recording Number	20192680543
Rights Transferred	Fee Simple
Conditions of Sale	Purchased By Tenant

**PHYSICAL INFORMATION**

Gross Building Area (GBA)	59,475
Leasable Area (NRA)	59,475
Number of Buildings	1
Year Built	2018
No. of Floors	2
Parking Spaces / Ratio	170 (/1,000 SF NRA)
% of Office Build-out	100%
Quality	Good
Condition	Good/Excellent
Appeal	Average/Good
Building Structure	Masonry/Stucco
Exterior	Mixed
Site Size	9.6 Acres (417,740 SF)
Zoning	C-1
Shape	Irregular
Topography	Generally Level
Access	Average
Exposure	Average
Site Coverage (SF)/Ratio	7.1%

**LEMAN ACADEMY OF EXCELLENCE****ANALYSIS INFORMATION**

Price per SF	\$306
Adjusted Price per SF	\$260
Capitalization Rate	

**CONFIRMATION**

Name	Confidential
Company	Confidential
Source	CoStar
Date / Phone Number	11/5/2019 Confidential

**REMARKS**

Buyer developed and then sold the property to the tenant. They are the anchor of the retail center. There are several other buildings on site that were occupied by Leman.

The parties involved did not return calls clarifying what is going on at this development site. All information provided by public record.

## IMPROVED SALES ADJUSTMENT TABLE

COMPARABLE	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5	COMPARABLE 6
<b>Name</b>	Tierra Adentro Charter School Foundation	American Leadership Academy	South Phoenix Prep	Learning Foundation & Performing Arts School	21st Century Public Academy	Explore Academy	Leman Academy of Excellence
<b>Address</b>	1701 Bellamah Avenue Northwest	1750 E. Riggs Rd	7450 S. 40th St	3939 E Warner Road	4300 Cutler Ave. NE	5100 Masthead St. NE	10100 E Golf Links Road
<b>City, State</b>	Albuquerque, NM	Gilbert, AZ	Phoenix, AZ	Gilbert, AZ	Albuquerque, NM	Albuquerque, NM	Tucson, AZ
<b>Zip</b>	87104	85298	85042	85296	87110	87109	85730
<b>GBA</b>	38,101	49,300	55,313	44,571	25,405	36,318	59,475
<b>NRA (SF)</b>	38,101	49,300	55,313	44,571	25,405	36,318	59,475
<b>Land Area (AC)</b>	1.9	8.0	8.1	6.3	2.8	3.3	9.6
<b>Land Area (SF)</b>	81,022	348,916	351,094	274,428	120,008	143,748	417,740
<b>Location</b>	Average	Average	Average	Average	Average	Average	Good
<b>Quality</b>	Good	Good	Average/Good	Good	Average/Good	Average	Good
<b>Condition</b>	Good	Good	Average/Good	Good	Average/Good	Average	Good/Excellent
<b>Exposure</b>	Average	Average	Average	Average	Good	Average	Average
<b>Access</b>	Average	Good	Average	Average	Average	Average	Average
<b>Year Built</b>	2020	2017	2012	2013	1999	1990	2018
<b>Year Renovated</b>	-	-	-	-	2017	2018	-
<b>L:B Ratio</b>	2.1	7.1	6.3	6.2	4.7	4.0	7.0
SALE INFORMATION							
<b>Date</b>		10/31/2019	6/7/2019	4/30/2019	7/2/2018	5/10/2018	9/25/2019
<b>Status</b>		Recorded	Recorded	Recorded	Recorded	Recorded	Recorded
<b>Rights Transferred</b>		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Analysis Price</b>		\$14,115,032	\$11,286,704	\$10,337,850	\$5,748,707	\$6,850,000	\$18,210,744
<b>\$/SF NRA</b>		\$286	\$204	\$232	\$226	\$189	\$306
<b>NOI/SF NRA</b>	\$15.32	-	-	-	-	-	-
<b>Occupancy</b>	100.0%	100.0%	-	100.0%	-	-	100.0%
TRANSACTIONAL ADJUSTMENTS							
<b>Property Rights</b>		0%	0%	0%	0%	0%	0%
<b>Financing</b>		0%	0%	0%	0%	0%	0%
<b>Conditions of Sale</b>		0%	0%	0%	0%	0%	0%
<b>Expenditures After the Sale</b>		0%	0%	0%	0%	0%	0%
<b>Market Conditions<sup>1</sup></b>		0%	0%	0%	0%	0%	0%
<b>Subtotal Transactional Adj Price</b>		\$286	\$204	\$232	\$226	\$189	\$306
PROPERTY ADJUSTMENTS							
<b>Location</b>		-10%	0%	0%	0%	0%	-5%
<b>Size</b>		0%	0%	0%	0%	0%	0%
<b>Quality</b>		0%	10%	0%	10%	20%	0%
<b>Age/Condition</b>		5%	10%	10%	10%	10%	0%
<b>Exposure</b>		0%	0%	0%	-10%	0%	0%
<b>Access</b>		0%	0%	0%	0%	0%	0%
<b>L:B Ratio</b>		-10%	-10%	-10%	-5%	-5%	-10%
<b>Subtotal Property Adjustment</b>		-15%	10%	0%	5%	25%	-15%
<b>TOTAL ADJUSTED PRICE</b>		\$243	\$224	\$232	\$237	\$236	\$260
STATISTICS	UNADJUSTED	ADJUSTED					
<b>LOW</b>	\$189	\$224					
<b>HIGH</b>	\$306	\$260					
<b>MEDIAN</b>	\$229	\$237					
<b>AVERAGE</b>	\$241	\$239					

<sup>1</sup> Market Conditions Adjustment: 0%

Date of Value (for adjustment calculations): 4/16/20

## SALES COMPARABLE ANALYSIS

### Introduction

The comparable sales indicate an adjusted value range from \$224 to \$260/SF, with a median of \$237/SF and an average of \$239/SF. The range of total net adjustment applied to the comparables was from -15% to 25%, with an average net adjustment across all comparables of 2%. The level of total adjustment applied to the comparables is considered minimal, an indication that the dataset is applicable to the subject and increases the credibility of the analysis. The adjustment process for each comparable sale is discussed in the following paragraphs.

### Discussion of Adjustments

Comparable 1 (\$243/SF as adjusted) did not require any transaction adjustments. This comparable required a total downward adjustment of -15% for property characteristics. Comp 1 is superior to the subject due to its placement in the Phoenix MSA and was adjusted downward accordingly. Comp 1 exhibits a slightly higher effective age than the subject and was adjusted upward accordingly. Comp 1 has a higher land:building ratio than the subject and was adjusted downward as a result. The total net adjustment applied to this comparable was downward by -15%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 2 (\$224/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 10% for property characteristics. Comp 2 is inferior to the subject with regard to construction quality and age/condition as it is an average/good quality construction exhibiting a slightly higher effective age than the subject and was adjusted upward accordingly. Comp 2 has a higher land:building ratio than the subject and was adjusted downward as a result. The total net adjustment applied to this comparable was upward by 10%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 3 (\$232/SF as adjusted) did not require any transaction adjustments. This comparable required adjustments for property characteristics, however these resulted in a net adjustment of 0%. Comp 3 has a higher effective age than the subject and was adjusted upward accordingly. Comp 3 has a higher land:building ratio than the subject and was adjusted downward as a result. The total net adjustment applied to this comparable was 0%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 4 (\$237/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 5% for property characteristics. Comp 4 is inferior to the subject with regard to construction quality and age/condition as it is an average/good quality construction exhibiting a higher effective age than the subject and was adjusted upward accordingly. Comp 4 has superior exposure than the subject and was adjusted downward accordingly. Comp 4 has a higher land:building ratio than the subject and was adjusted downward as a result. The total net adjustment applied to this comparable was upward by 5%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants primary consideration as a value indicator for the subject.

Comparable 5 (\$236/SF as adjusted) did not require any transaction adjustments. This comparable required a total upward adjustment of 25% for property characteristics. Comp 5 is inferior to the subject with regard to construction quality and age/condition as it is an average/good quality construction exhibiting a higher effective



age than the subject and was adjusted upward accordingly. Comp 5 has a higher land:building ratio than the subject and was adjusted downward accordingly. The total net adjustment applied to this comparable was upward by 25%. The minimal amount of net adjustments required for this comparable suggests it is similar to the subject, increasing its applicability for this analysis. Overall this comparable warrants secondary consideration as a value indicator for the subject.

Comparable 6 (\$260/SF as adjusted) did not require any transaction adjustments. Comp 6 is only a listing. Through typical negotiation, actual sale prices generally fall between 0% and 15% of the asking price. As Comp 6 has only been listed for one month, we applied a downward adjustment of 5%. This comparable required a total downward adjustment of -15% for property characteristics. Comp 6 is slightly superior to the subject with regard to location due to its placement in the Tucson MSA and was adjusted downward accordingly. Comp 6 has a higher land:building ratio than the subject and was adjusted upward accordingly. The total net adjustment applied to this comparable was downward by -15%. The moderate level of net adjustments required for this comparable indicates that it can be adequately relied upon for valuation of the subject. This comparable is given primary consideration as a value indicator for the subject.

### SALES COMPARISON APPROACH CONCLUSION

The comparable sales indicate an adjusted value range from \$224 to \$260/SF, with a median of \$237/SF and an average of \$239/SF. Based on the results of the preceding analysis, Comparable 1 (\$243/SF adjusted), Comparable 2 (\$224/SF adjusted), Comparable 3 (\$232/SF adjusted), Comparable 4 (\$237/SF adjusted) and Comparable 6 (\$260/SF adjusted) are given primary consideration for the subject's opinion of value.

The following table summarizes the analysis of the comparables, reports the reconciled price per NRA value conclusion, and presents the concluded value of the subject property.

SALES COMPARISON APPROACH CONCLUSION (NRA)								
COMP	ANALYSIS PRICE	ADJUSTMENT				NET ADJ %	GROSS ADJ %	OVERALL COMPARISON
		TRANSACTIONAL <sup>1</sup>	ADJUSTED	PROPERTY <sup>2</sup>	FINAL			
1	\$286	0%	\$286	-15%	\$243	-15%	25%	PRIMARY
2	\$204	0%	\$204	10%	\$224	10%	30%	PRIMARY
3	\$232	0%	\$232	0%	\$232	0%	20%	PRIMARY
4	\$226	0%	\$226	5%	\$237	5%	35%	PRIMARY
5	\$189	0%	\$189	25%	\$236	25%	35%	SECONDARY
6	\$306	0%	\$306	-15%	\$260	-15%	15%	PRIMARY
LOW	\$224					AVERAGE		\$239
HIGH	\$260					MEDIAN		\$237
		SUBJECT SF		\$/SF CONCLUSION		VALUE		
INDICATED VALUE		38,101	x	\$245/SF	=	\$9,330,000		
LEASEHOLD ADJUSTMENT						(\$750,000)		
PROSPECTIVE VALUE UPON COMPLETION				\$225/SF		\$8,580,000		

<sup>1</sup>Cumulative <sup>2</sup>Additive

Rounded to nearest \$10,000

### ADJUSTMENTS TO VALUE

To reflect the leasehold interest in the subject, an adjustment is necessary to account for the subject's ground lease in place. The following discussion summarizes our support of the value adjustment. This adjustment only applies to the Sales Comparison Approach since the subject's ground lease payment was included in the Direct Capitalization analysis in the Income Approach and the Cost Approach excludes land value.

**Leased Fee Adjustment**

The subject's ground lease is summarized as follows:

**GROUND LEASE ABSTRACT**

<b>Lessor</b>	Saw mill Community Land Trust
<b>Lessee</b>	Tierra Adentro Charter School Foundation
<b>Lease Term</b>	50 Years
<b>Start Date</b>	2022
<b>End Date</b>	2072
<b>SF Leased</b>	59,197
<b>Initial Rate</b>	\$26,414
<b>\$/SF</b>	\$0.45
<b>Recoveries</b>	Triple Net
<b>Rent Escalations</b>	3% Annual
<b>Renewal Options</b>	Two 25-Year renewal options
	Tenants are prohibited from subleasing or temporarily renting any portion of the premises on either a short-term or long-term basis.
<b>Comments</b>	The lease rate pertains to The Foundations's portion of the ground lease (70% of the total).

**RENT SCHEDULE**

PERIOD	ANNUAL BASE RENT
<b>Year 1</b>	\$26,414
<b>Year 2</b>	\$27,206
<b>Year 3</b>	\$28,023

In order to determine the As-Is market value of the leased fee interest, we first valued the fee simple interest of the land, which we assume will appreciate by an average of 1% annually until the end of the lease term. We have then discounted the present value of the fee simple land value upon reversion (Year 50) plus the ground lease payments over the remaining lease term. According to the developer, the ground lease begins in 2022. We have applied a reasonable **discount rate of 6%** to this analysis.

We estimate the **fee simple land value for the subject to be \$10/SF or \$810,220** based on the land sales summarized below. We interviewed several market participants and searched through the local MLS for comparables. Land sales in the immediate area are extremely scarce since the area is largely built-out. The comparables are adequate to provide a credible indication of market value. Given the nature of discounting the land value over an extended period of 50 years, it is unnecessary to develop a more detailed analysis of land value.

LAND SALES					
#	LOCATION	DATE	SALE PRICE	SIZE (SF)	\$/SF
1	Desert Surf/Alexander	Nov-19	\$1,600,000	138,935	\$11.52
2	5604 Carmel Ave.	Sep-19	\$3,493,950	232,582	\$15.02
3	4015 Hawkins St.	Aug-19	\$819,000	88,862	\$9.22
4	1025 4th Street	Feb-19	\$662,500	33,977	\$19.50
5	7421 Jefferson St.NE	Nov-17	\$700,000	58,403	\$11.99
6	5401 Beverly Hills Ave. NE	Sep-17	\$650,000	77,223	\$8.42
7	707 1st Street SW	Jun-17	\$160,000	17,408	\$9.19
8	8713 Alameda Park Dr.	Apr-17	\$712,219	76,997	\$9.25
9	527 Bridge Blvd. SW	1/24/2017	\$555,000	41,609	\$13.34
<b>Average</b>			<b>\$1,039,185</b>	<b>85,111</b>	<b>\$11.94</b>

Based on the factors summarized above, the leased fee adjustment is summarized as follows:

LEASED FEE ADJUSTMENT					
YEAR	LAND VALUE	COST OF SALE	ROUNT RENT INCOM	PV FACTOR	PRESENT
			CONTRACT RENT x	6% =	
2022	\$810,220		\$26,414	0.9434	\$24,919
2023	\$818,322		\$27,206	0.8900	\$24,214
2024	\$826,505		\$28,023	0.8396	\$23,528
2025	\$834,770		\$28,863	0.7921	\$22,862
2026	\$843,118		\$29,729	0.7473	\$22,215
2027	\$851,549		\$30,621	0.7050	\$21,587
2028	\$860,065		\$31,540	0.6651	\$20,976
2029	\$868,666		\$32,486	0.6274	\$20,382
2030	\$877,352		\$33,460	0.5919	\$19,805
2031	\$886,126		\$34,464	0.5584	\$19,245
2032	\$894,987		\$35,498	0.5268	\$18,700
2033	\$903,937		\$36,563	0.4970	\$18,171
2034	\$912,976		\$37,660	0.4688	\$17,657
2035	\$922,106		\$38,790	0.4423	\$17,157
2036	\$931,327		\$39,954	0.4173	\$16,671
2037	\$940,640		\$41,152	0.3936	\$16,199
2038	\$950,047		\$42,387	0.3714	\$15,741
2039	\$959,547		\$43,658	0.3503	\$15,295
2040	\$969,143		\$44,968	0.3305	\$14,863
2041	\$978,834		\$46,317	0.3118	\$14,442
2042	\$988,622		\$47,707	0.2942	\$14,033
2043	\$998,509		\$49,138	0.2775	\$13,636
2044	\$1,008,494		\$50,612	0.2618	\$13,250
2045	\$1,018,579		\$52,130	0.2470	\$12,875
2046	\$1,028,764		\$53,694	0.2330	\$12,511
2047	\$1,039,052		\$55,305	0.2198	\$12,157
2048	\$1,049,443		\$56,964	0.2074	\$11,813
2049	\$1,059,937		\$58,673	0.1956	\$11,478
2050	\$1,070,536		\$60,433	0.1846	\$11,153
2051	\$1,081,242		\$62,246	0.1741	\$10,838
2052	\$1,092,054		\$64,114	0.1643	\$10,531
2053	\$1,102,975		\$66,037	0.1550	\$10,233
2054	\$1,114,004		\$68,018	0.1462	\$9,943
2055	\$1,125,144		\$70,059	0.1379	\$9,662
2056	\$1,136,396		\$72,161	0.1301	\$9,388
2057	\$1,147,760		\$74,325	0.1227	\$9,123
2058	\$1,159,237		\$76,555	0.1158	\$8,865
2059	\$1,170,830		\$78,852	0.1092	\$8,614
2060	\$1,182,538		\$81,217	0.1031	\$8,370
2061	\$1,194,364		\$83,654	0.0972	\$8,133
2062	\$1,206,307		\$86,163	0.0917	\$7,903
2063	\$1,218,370		\$88,748	0.0865	\$7,679
2064	\$1,230,554		\$91,411	0.0816	\$7,462
2065	\$1,242,859		\$94,153	0.0770	\$7,251
2066	\$1,255,288		\$96,978	0.0727	\$7,045
2067	\$1,267,841		\$99,887	0.0685	\$6,846
2068	\$1,280,519		\$102,884	0.0647	\$6,652
2069	\$1,293,325		\$105,970	0.0610	\$6,464
2070	\$1,306,258		\$109,149	0.0575	\$6,281
2071	\$1,319,320		\$112,424	0.0543	\$6,103
2072 Reversion	\$1,332,514	\$79,951	\$1,252,563	0.0610	\$76,404
NET PRESENT VALUE					\$752,151
NET PRESENT VALUE OF CONTRACT RENT (ROUNDED)					\$750,000

## INTRODUCTION

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structures,, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value (in this case land value is \$0). Adjustments may then be made to the indicated value of the fee simple estate in the subject property to reflect the value of the property interest being appraised.<sup>9</sup>

## REPLACEMENT COST ANALYSIS

The following cost approach to value was developed based on replacement cost analysis. Replacement Cost is defined as: The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.<sup>10</sup>

Replacement cost includes both direct and indirect costs. Direct costs are expenditures for labor and materials used in the construction of improvements (also known as hard costs). Indirect costs are expenditures for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract (also known as soft costs). Indirect costs often include real property taxes during construction, professional fees, permanent financing fees, leasing commissions, marketing costs and contingency.

### Replacement Cost New (Buildings)

This section calculates the replacement cost new of the subject building improvements by estimating total direct and indirect costs to which an entrepreneurial profit incentive is applied. Three sources were selected to support direct and indirect costs: Marshall Valuation Service, the developer's cost schedule and cost comparables. This selection is appropriate considering the scope and intended use of the appraisal, and given that the subject improvements are proposed construction.

### Marshall Valuation Service

Marshall Valuation Service is a comprehensive appraisal guide widely used throughout the United States for developing replacement costs and depreciated values of buildings and other improvements, and is largely considered the authority on building costs.

The table on the following page outlines the process we applied for developing replacement cost new of the subject building improvements with Marshall Valuation Service. First, the subject components were researched to identify the applicable base building costs per square foot. Next, the base building costs were adjusted for square foot refinements, height and size refinements, and current and local cost multipliers to determine an estimate of direct costs. After determining direct costs using Marshall Valuation Service, we then analyzed market evidence to estimate indirect costs. Finally, an appropriate developer's profit was applied to provide an indication of the replacement cost new.

<sup>9</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

<sup>10</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015

## REPLACEMENT COST NEW (BUILDINGS &amp; SITE)

## MARSHALL VALUATION SERVICE DIRECT COST

Number of Buildings	1		
Gross Building Area	38,101 SF	1	2
MVS Building Type		Charter School	Site Improvements
Number of Stories		2	-
Height per Story		18'	-
Component Description		Inline	Site Improvements
MVS Section/Page/Class		18/17/D	Site Improvements
MVS Publication Date		Feb-19	Site Improvements
Quality Rating		Good	Average
Component SF (Gross)		38,101	59,197
<b>Base Cost (Per SF)</b>		<b>\$169.00</b>	<b>\$5.00</b>
<b>SQUARE FOOT REFINEMENTS</b>			
Heating and Cooling		\$0.00	\$0.00
Fire Sprinklers		\$0.00	\$0.00
Elevators		\$0.00	\$0.00
<b>Subtotal</b>		<b>\$169.00</b>	<b>\$5.00</b>
<b>HEIGHT &amp; SIZE REFINEMENTS</b>			
Number of Stories Multiplier		1.000	1.000
Height Per Story Multiplier		1.000	1.000
Area/Perimeter Multiplier		1.000	1.000
<b>Subtotal</b>		<b>\$169.00</b>	<b>\$5.00</b>
<b>COST MULTIPLIERS</b>			
Current Cost Multiplier		1.00	1.00
Local Multiplier		1.00	1.00
<b>DIRECT COSTS PER SF</b>		<b>\$169.00</b>	<b>\$5.00</b>
Indirect Cost (% of Direct) <sup>1</sup>	17.5%	17.5%	17.5%
<b>INDIRECT COST PER SF</b>		<b>\$29.58</b>	<b>\$0.88</b>
<b>DIRECT &amp; INDIRECT TOTAL PER SF</b>		<b>\$198.58</b>	<b>\$5.88</b>
<b>CALCULATION OF REPLACEMENT COST NEW WITH INCENTIVE</b>			
Component SF (Gross)		38,101	59,197
Direct & Indirect Total		\$7,565,906	\$347,782
ENTREPRENEURIAL INCENTIVE % <sup>1</sup>	10%	10%	10%
Entrepreneurial Incentive \$		\$756,591	\$34,778
<b>FINAL TOTAL REPLACEMENT COST NEW</b>		<b>\$8,322,497</b>	<b>\$382,561</b>

<sup>1</sup>Colliers International Estimate

Based on our research, indirect costs are typically 10% to 25% of direct cost for this type of development in the marketplace. Considering the size and project characteristics, we have estimated indirect costs at 17.5% of direct costs.

Entrepreneurial profit and overhead compensates the developer for project risk and management. It is unlikely that a developer would proceed with a development unless adequate profit is available to justify the effort. Based on anecdotal evidence provided by developers of similar Institutional/Governmental Office projects, profit is typically based on a percentage of replacement cost, generally 5% to 15%, depending upon project size, location, marketability and risk. An entrepreneurial profit and overhead allocation of 10% was used in this analysis.

The site improvements area was calculated based on the subject useable land area less the footprint of the buildings, or (81,022 SF land - 21,096 SF footprint) 59,197 SF. The replacement cost new was estimated at \$5.00/SF with support from Marshall Valuation Service, the developer's cost schedule and cost comparables. Allocations for indirect costs of 17.5% and profit of 10% were carried forward from the conclusions made within the analysis of building improvements.



The replacement cost new as developed with Marshall Valuation Service is summarized in the following table.

REPLACEMENT COST NEW SUMMARY (BUILDINGS & SITE)			
MARSHALL VALUATION SERVICE			
Direct & Indirect Costs	\$7,913,688	\$207.70/SF	
Entrepreneurial Incentive @10%	\$791,369	\$20.77/SF	
<b>TOTAL REPLACEMENT COST NEW (RCN)</b>	<b>\$8,705,057</b>	<b>\$228.47/SF</b>	

### Developer's Cost Schedule

We reviewed a cost schedule prepared by Developer dated April 16, 2020, as summarized in the table below.

DEVELOPER'S COST SCHEDULE			
Direct Costs (Building & Site)	\$6,520,905	\$171.15/SF	
Indirect Costs	\$1,392,685	\$36.55/SF	
Incentive @ 10%	\$791,359	\$20.77/SF	
Subtotal Costs	\$0		
<b>TOTAL COSTS</b>	<b>\$8,704,949</b>	<b>\$228.47/SF</b>	

The preceding developer's costs reflect the most recent detailed cost budget for the subject's proposed construction. All costs associated with site improvements were excluded, as they are analyzed separately ahead. The developer did not include an allocation for incentive; therefore, our estimate within the Marshall Valuation Service section of 10% is carried over to this analysis.

### Building Replacement Cost New Conclusion (Buildings & Site)

The following table summarizes the indicators that were used to estimate the replace cost new of the subject building & site improvements and the reconciled conclusion.

REPLACEMENT COST NEW ESTIMATES CONCLUSION (BUILDINGS & SITE)			
APPROACH	TOTAL	\$/SF	
Marshall Valuation Service Cost Estimate	\$8,705,057	\$228.47	
Developer's Cost Schedule	\$8,704,949	\$228.47	
<b>CONCLUDED REPLACEMENT COST NEW (BUILDINGS)</b>	<b>\$8,705,057</b>	<b>\$228.47</b>	

The analysis supports a range for replacement cost new of the building & site improvements from \$188.25 to \$191.29/SF. Primary weight was placed on the Marshall Valuation Services cost estimate in the reconciled conclusion of \$228.47.

**Depreciation Analysis (Buildings & Site)**

The following table details the depreciation estimate developed for the subject building improvements.

<b>DEPRECIATION ANALYSIS (BUILDINGS)</b>		
	<b>1</b>	<b>2</b>
Component Description	Inline	Site Improvements
<b>TOTAL REPLACEMENT COST NEW</b>	<b>\$8,322,497</b>	<b>\$382,561</b>
LESS: Physical Curable	\$0	\$0
LESS: Functional Curable	\$0	\$0
LESS: Functional Incurable	\$0	\$0
Subtotal Adjusted Replacement Cost New	\$8,322,497	\$382,561
<b>Age/Life Analysis</b>		
Economic Life	50	15
Effective Age	0	0
Remaining Economic Life	50	15
Percent Depreciated	0.0%	0.0%
LESS: Age/Life Depreciation	\$0	\$0
Adjusted Replacement Cost New	\$8,322,497	\$382,561
LESS: Economic Obsolescence (External) 0%	\$0	\$0
Depreciated Replacement Cost New (Buildings)	<b>\$8,322,497</b>	<b>\$382,561</b>

Our analysis of depreciation reflects physical and functional curable prior to consideration of physical and functional incurable items, which are treated as components of the age-life analysis. If applicable, economic obsolescence was independently estimated and deducted. For this analysis it is assumed that economic obsolescence was allocated solely to the improvements. The depreciation analysis for the subject building improvements is summarized in the following table.

<b>DEPRECIATION ANALYSIS SUMMARY (BUILDINGS &amp; SITE)</b>		
<b>APPROACH</b>	<b>TOTAL</b>	<b>\$/SF</b>
<b>TOTAL REPLACEMENT COST NEW</b>	<b>\$8,705,057</b>	<b>\$228</b>
LESS: Physical Curable	\$0	\$0
LESS: Functional Curable	\$0	\$0
LESS: Functional Incurable	\$0	\$0
LESS: Age/Life Depreciation	\$0	\$0
LESS: Economic Obsolescence (External)	\$0	\$0
<b>Depreciated Replacement Cost New (Buildings)</b>	<b>\$8,705,057</b>	<b>\$228</b>

**COST APPROACH CONCLUSION**

The Cost Approach analysis and conclusion are presented in the following table.

<b>COST APPROACH VALUE CONCLUSION</b>		
<b>IMPROVEMENTS (BUILDINGS &amp; SITE)</b>		
Direct & Indirect Costs		\$7,913,688
PLUS: Entrepreneurial Incentive		\$791,369
LESS: Total Depreciation		\$0
<b>TOTAL DEPRECIATED VALUE OF IMPROVEMENTS (BUILDINGS)</b>		<b>\$8,705,057</b>
<b>SUMMARY (ALL IMPROVEMENTS)</b>		
Adjusted Costs/Cost New		\$7,913,688
PLUS: Total Entrepreneurial Incentive		\$791,369
<b>TOTAL REPLACEMENT COST NEW</b>		<b>\$8,705,057</b>
LESS: Total Depreciation		\$0
<b>TOTAL DEPRECIATED VALUE OF IMPROVEMENTS</b>		<b>\$8,705,057</b>
PLUS: Land Value (Primary Site)		\$0
<b>PROSPECTIVE VALUE UPON COMPLETION</b>	<b>\$229/SF</b>	<b>\$8,710,000</b>

Rounded to nearest \$10,000

## INTRODUCTION

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

In the open market, the subject property type would command most interest from regional and local buyers that are actively pursuing similar owner-user properties. There is currently moderate buyer demand for substitute properties of the subject based on the volume of sale transactions and reports by buyers, sellers and other market participants during confirmation of market transactions. The most probable buyer is an owner user.

Based on the overall quality of the data and analyses, and considering the decision-making process of the typical buyer profile of the subject asset, the Sales Comparison and Cost approaches warranted primary emphasis and the Income approach warranted secondary emphasis in developing our final opinions of market. The market value indication from the Income Approach falls below the indications from the Sales Comparison and Cost Approaches primarily due to the higher demand exhibited by the owner-user market for charter schools. Owner-users are currently outbidding investors for school spaces. This is further confirmed by our highest and best use analysis which indicates that the subject's highest and best use is for owner-occupancy.

## PRESENTATION OF VALUE CONCLUSIONS

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The following table summarizes our final opinions of the As-Is Market Value and Prospective Value Upon Completion of the subject property's leasehold interest.

ANALYSIS OF VALUE CONCLUSIONS		
VALUATION INDICES	AS-IS MARKET VALUE	PROSPECTIVE VALUE UPON COMPLETION/ STABILIZATION
INTEREST APPRAISED	LEASEHOLD	LEASEHOLD
DATE OF VALUE	APRIL 16, 2020	APRIL 16, 2021
Cost Approach	-	\$8,710,000
Sales Comparison Approach	-	\$8,580,000
Income Approach	-	\$7,780,000
<b>FINAL VALUE CONCLUSION</b>	<b>-</b>	<b>\$8,650,000</b>
\$/SF	-	\$227/SF
Implied Capitalization Rate	-	6.75%
Exposure Time	12 Months or Less	
Marketing Period	12 Months or Less	

We certify that, to the best of our knowledge and belief:

- › The statements of fact contained in this report are true and correct.
- › The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- › The signers of this report have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- › Jared Michnovicz has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Conner Marshall, MAI has performed no services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- › The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- › The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- › The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- › The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- › Jared Michnovicz inspected the property that is the subject of this report. Conner Marshall, MAI did not inspect the property that is the subject of this report.
- › No one provided significant real property appraisal assistance to appraisers signing this certification.



- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report Conner Marshall, MAI completed the continuing education program for Designated Members of the Appraisal Institute.
- As of the date of this report Jared Michnovicz has completed the Standards and Ethics Education Requirement for (Candidates or Practicing Affiliates) of the Appraisal Institute.



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May 6, 2020  
Date



Conner Marshall, MAI  
Senior Valuation Services Director  
Certified General Real Estate Appraiser  
State of New Mexico License #03356-G  
+1 505 880 7053  
conner.marshall@colliers.com

May 6, 2020  
Date

This appraisal is subject to the following assumptions and limiting conditions:

- › The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- › Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- › The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal

injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- › The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- › This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Cost Budget

Valuation Glossary

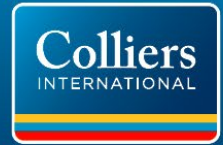
Qualifications of Appraisers

Qualifications of Colliers International Valuation & Advisory Services

# PROFESSIONAL SERVICE AGREEMENT

## COLLIERS INTERNATIONAL VALUATION & ADVISORY SERVICES

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March 16, 2020

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### RE: Appraisal of Tierra Adentro Charter School Foundation

Dear Ms. Williams:

Thank you for considering Colliers International Valuation & Advisory Services, LLC for the assignment identified in the below stated Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment and your acceptance of the attached Terms and Conditions.

<b><u>PROFESSIONAL SERVICE AGREEMENT</u></b> <b>("Agreement")</b>	
Project	Tierra Adentro Charter School Foundation ("Property")
Location	1701 Bellamah Avenue NW, Albuquerque, NM 87104
Project Description	Proposed ground-leased charter school
Parties	Colliers International Valuation & Advisory Services, LLC ("CIVAS") and Clearinghouse CDFI (herein at times referred to as "Client")
Intended User	The appraisal will be prepared for Clearinghouse CDFI. Intended users include the Client. No other users are intended.  <b>It should be noted that if this engagement is directly with the owner of the Property, the Appraisal will not be accepted by federally insured lenders due to FIRREA Compliance, limiting the use of this report. Should this potentially impact your source of lenders, we recommend engagement be directed by a Federally Insured Lender.</b>
Intended Use	The report to be performed under this Agreement ("Appraisal") is intended only for use in a potential loan. The report is not intended for any other use.
Purpose	As-Completed, As-Stabilized
Type of Appraisal	CIVAS will produce a Self-Contained appraisal report
Rights Appraised	Leasehold Interest
Date of Value	Date of inspection



# PROFESSIONAL SERVICE AGREEMENT

CONTINUED

Scope of Work	<p>CIVAS and/or its designated affiliate will provide the Appraisal in accordance with USPAP, FIRREA and the Code of Ethics and Certifications Standards of the Appraisal Institute and State Licensing Laws. CIVAS will research relevant market data and perform analysis to the extent necessary to produce credible appraisal results. Based on our discussions with the Client, the Client has requested the following valuation scenarios: As-Completed and As-Stabilized. CIVAS anticipates developing the following valuation approaches:</p> <ul style="list-style-type: none"> <li>› Income Approach</li> <li>› Sales Comparison Approach</li> <li>› Cost Approach</li> </ul> <p>The scope of work will be included in the Appraisal. A copy of the Assumptions and Limiting Conditions, which appear in the Appraisal, is available upon request.</p>
Delivery	4 Weeks
Professional Fee	\$5,500
Expenses	Fees include all associated expenses
No. of Reports	<p>One (1) Electronic Draft Appraisal and One (1) Electronic Final Appraisal.</p> <p>No printed copies will be delivered to the client. If printed copies are requested an additional printing and delivery charge of \$100 per copy will apply.</p>
Retainer	None
Payment Terms	<p>CIVAS will invoice Client for the Appraisal in its entirety at the delivery of the draft appraisal.</p> <p><u>Wire Instructions:</u></p> <p>JP Morgan Chase Bank, NA Chicago, IL 70-23322/719 Account Name: Colliers International Valuation &amp; Advisory Services, LLC Account No# 899559074 ABA #: 021000021 ACH Payment Transit Routing Number: 071000013 Swift Code of International Wires ONLY: CHASUS333</p> <p><b>**Please include the job invoice number or address in memo payment information</b></p>
Acceptance Date	These specifications are subject to modification if this Agreement is not accepted within three (3) business days from the date of this letter.

## Terms and Conditions

The attached Terms and Conditions and Specific Property Data Request are deemed a part of this Agreement as though set forth in full herein. The following is a list of information we will need to begin our analysis. Please forward with the Agreement or as soon as possible.

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>› Survey with Legal Description &amp; Site Size</li> <li>› Title Report</li> <li>› Wetland Delineation Map (if applicable)</li> <li>› Engineering studies, soil tests or environmental assessments</li> <li>› Ground lease (if applicable)</li> <li>› Existing Building or Improvement Plans</li> <li>› Individual Floor or Unit Plans</li> <li>› Current County Property Tax Bill</li> <li>› Details on any Sale, Contract, or listing of the property in the past 3 years</li> <li>› Construction Cost/Budget (within past 3 years)</li> <li>› Detailed list of personal property items</li> <li>› Property Condition Report</li> <li>› Details regarding the historical and future replacement schedule (i.e., carpets, appliances, cabinetry, laundry facilities, HVAC, etc.)</li> <li>› Capital improvements history (2 years) &amp; budget</li> </ul> | <ul style="list-style-type: none"> <li>› Three year &amp; YTD Income &amp; Expenses</li> <li>› Current Budget</li> <li>› Detailed occupancy report for the past 3 years and YTD</li> <li>› Detailed current rent roll indicating any vacant units and in-place rents</li> <li>› Details regarding any pending changes to the rent roll</li> <li>› Aged Accounts/Delinquency Report</li> <li>› Details regarding any concessions currently being offered for new and existing tenants</li> <li>› Marketing plan and/or local competitive study, if available</li> <li>› Copy of recent Appraisals or Market Studies</li> <li>› Name and telephone number of property contact for physical inspection and additional information needed during the appraisal process</li> <li>› Property Contact _____</li> </ul> |
|--|---|

**In addition to the items requested above, please forward any additional materials you would consider relevant in the analysis of the subject property.**

# PROFESSIONAL SERVICE AGREEMENT

CONTINUED

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with the stated Intended Use. CIVAS is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by CIVAS or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS.

CIVAS does consent to your submission of the reports to rating agencies, loan participants or your accountants/auditors in its entirety (but not component parts) without the need to provide CIVAS with an Indemnification Agreement and/or Non-Reliance letter. CIVAS hereby expressly grants to Client the right to copy the Appraisal and distribute it to employees of Client.

The Appraisal requires CIVAS to submit a Summation of the Appraisal Findings in the form of a Letter of Transmittal along with the Summary of Salient Facts and Special/Limiting Conditions applicable to the Appraisal. This will be completed in conjunction with the Appraisal at the above stated fee.

If you have questions regarding the enclosed, please feel free to contact me. CIVAS appreciates this opportunity to be of service to you on this assignment and looks forward to serving you. If you have additional questions, please contact us.

I, Deidre Williams, agree to the above stated terms and authorize Colliers International Valuation & Advisory Services, LLC to prepare the above referenced appraisal.

Deidre Williams Date: 4.2.2020

Deidre Williams  
Commercial Loan Processor  
Clearinghouse CDFI

Respectfully,

**Colliers International Valuation & Advisory Services, LLC**



Conner Marshall, MAI  
Senior Valuation Services Director  
Direct +1 505 880 7053  
[Conner.Marshall@colliers.com](mailto:Conner.Marshall@colliers.com)

## TERMS AND CONDITIONS

### "T&C"

- 1) The Appraisal will be subject to Colliers International Valuation & Advisory Services, LLC's ("CIVAS") Assumptions and Limiting Conditions that are incorporated into each appraisal, and any Extraordinary Assumptions and Hypothetical Conditions that may be incorporated into each appraisal.
- 2) Any capitalized, non-defined words shall have the same meaning as defined in the Agreement to which these T&Cs are attached.
- 3) Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the fee for the Appraisal is not contingent on the appraised value(s) or the outcome of the report(s). Additional fees will be charged on an hourly basis for any work that may exceed the scope of this proposal, including performing additional valuation scenarios, additional research, and conference calls, meetings, deposition preparation, deposition, trial testimony or travel that may exceed the time allotted by CIVAS for an assignment of this nature. If CIVAS is requested to cease working on the Appraisal for any reason prior to the completion of the appraisal(s), CIVAS will be entitled to bill the Client for the time spent to date at CIVAS' hourly rates for the personnel involved. The Client will be billed a minimum \$500 or at a rate of \$250 per hour for associate time, \$300 per hour for valuation services director, \$400 per hour for managing director, and \$450 per hour for executive managing director. If the Client delays completion of the assignment beyond ninety (90) days, the fee may be renegotiated. This may result in the total fee exceeding the original agreed fee agreed upon cost.
- 4) Client agrees to pay all fees and expenses, including attorney's fees, incurred by CIVAS in connection with the collection or attempted collection of the fees and expenses. In the event Client fails to make payments when due and payable, the amount due shall bear interest at 1.5% per month or the maximum rate permitted in the state in which the CIVAS office executing the Agreement is located, whichever is lesser.
- 5) The fee is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. If a draft is requested, the fee is considered earned upon delivery of our draft report.
- 6) In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorneys' fees and costs. The Agreement shall be governed by and construed in accordance with the laws of the state where the CIVAS office executing the Agreement is located. The venue of any action arising out of the Agreement shall be the county where the CIVAS office executing the Agreement is located. Client will have up to thirty (30) days from receipt of the Draft Appraisal to review and communicate its review to CIVAS. CIVAS reserves the right to bill Client for additional appraisal efforts that may arise from the Client not responding within this time period.
- 7) CIVAS does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to CIVAS by Client.
- 8) CIVAS shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The Appraisal will not constitute a survey of the Property analyzed.
- 9) Client shall provide CIVAS with such materials with respect to the Appraisal as requested by CIVAS and which are in the possession or under the control of Client. Client shall provide CIVAS with sufficient access to the Property to be analyzed and hereby grants permission for entry, unless discussed in advance to the contrary.
- 10) The data gathered in the course of the Appraisal (except data furnished by Client) and the Appraisal prepared pursuant to the Agreement are, and will remain, the property of CIVAS. With respect to data provided by Client, such data shall be confidential, and CIVAS shall not disclose any information identified as confidential furnished to CIVAS. Notwithstanding the foregoing, CIVAS is authorized by Client to disclose all or any portion of the Appraisal and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable CIVAS to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
- 11) Unless specifically noted, CIVAS does not assume any duty to analyze or examine the Property or adjacent property for the possible presence of toxic and/or hazardous substances or materials (including but not exclusive to asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof) and accepts no liability regarding the issue. If such materials exist, CIVAS defers to the expertise of professionals specifically trained in analyzing the cost to remediate, which will not be a part of the appraisal fee proposal. The Appraisal will contain a comprehensive disclaimer to this effect.
- 12) CIVAS understands that there is no major or significant deferred maintenance in the Property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of the fee contemplated in the Agreement.
- 13) Client acknowledges that CIVAS is being retained hereunder as an independent contractor to perform the services described herein and nothing in the Agreement shall be deemed to create any other relationship between Client and CIVAS. The Agreement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal discussed herein.
- 14) Client agrees that its only remedy for losses or damages relating to the Agreement shall be limited to the amount of the appraisal fee paid by the Client and in no circumstances shall CIVAS be liable for any losses or damages in excess of this amount. Should the Client, or any other entitled party, make a claim against CIVAS, its directors, officers, employees and other affiliates and shareholders, relating to this engagement or the appraisal(s), the maximum damages recoverable from CIVAS, its directors, officers, employees and other affiliates and shareholders, shall be the amount of funds actually collected by CIVAS under the Agreement, and no claim shall be made for any consequential or punitive damages.
- 15) If CIVAS or any of its employees receives a subpoena or other judicial notification to produce documents or provide testimony involving the Appraisal in connection with a lawsuit or related proceeding, CIVAS will notify the Client of receipt of the subpoena or notification. However, if CIVAS is not part of the lawsuit or proceedings, Client agrees to compensate CIVAS for the professional

# PROFESSIONAL SERVICE AGREEMENT

## CONTINUED

time required and to reimburse CIVAS for the expenses incurred in responding to any such subpoena or judicial notification, including any attorneys' fees, as they are incurred. CIVAS is to be compensated at the prevailing hourly rates of the personnel responding to the subpoena or command for testimony.

- 16) If expert witness testimony is required in connection with the Appraisal, the following hourly rates will apply. The Client will be billed at the rate of \$250 per hour for associate time, \$350 per hour for valuation services director, \$400 per hour for managing director, and \$450 per hour for executive managing director. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.
- 17) Client shall indemnify and hold CIVAS, its parent, subsidiaries, affiliates, its officers, directors, employees and agents ("CIVAS Indemnities"), fully harmless against all losses, damages, claims, and expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client (including any failure to perform any duty imposed by law), any misrepresentation, distortion or if Client fails to provide complete and accurate information to CIVAS, for which recovery is sought against the CIVAS Indemnities by that third party; however, such obligation to defend and indemnify shall not apply to the extent caused by the negligent act or willful misconduct of CIVAS. Client shall indemnify and hold CIVAS Indemnities harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the Appraisal to any third party.  
**LIMITATION OF LIABILITY.** EXCEPT FOR THE INDEMNIFICATION PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER.
- 18) CIVAS agrees to maintain Professional Liability Insurance in the amount of \$1,000,000 and General Liability insurance in the amount of \$2,000,000, as well as Workers Compensation per local regulatory requirements. CIVAS will endeavor to provide Client with written notice regarding any cancellation of any such insurance. CIVAS will provide Client with certificates of insurance naming Client as an additional insured on the General Liability policy upon request.
- 19) The Appraisal and the name Colliers International Valuation & Advisory Services may not be used in any marketing or investment material or offering memoranda without CIVAS' prior written consent. CIVAS, its employees and appraisers have no liability to any recipients of any prepared material, and disclaim all liability to any party other than the Client.
- 20) Unless CIVAS consents in writing, the Appraisal cannot be used by any party or for any purpose other than the Client for the purposes specified in the Agreement. Should the Client provide a copy of this Appraisal to any person or entity not authorized by CIVAS in writing, Client hereby agrees to hold CIVAS, its directors, officers, employees and other affiliates and shareholders, harmless from all damages, expenses, claims and costs, including any attorney's fees. The Client acknowledges that any opinions and conclusions expressed by the professionals of CIVAS pursuant to the Agreement are made as employees and not as individuals. CIVAS' responsibility is limited to the Client, and the use of the Appraisal or related product by third parties shall be solely at the risk of the Client and/or third parties.
- 21) The use of this appraisal shall be used only for the purpose as set forth in the Intended Use section of the Agreement. In the event that the client wishes to use this report or portions of this report for any other purpose such as, to become part of or be referenced in, any offering or other material intended for the review of others, or to be submitted to others, will be at the Client's sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS and the Client, by a party satisfactory to CIVAS and the Client. CIVAS does consent to Client submission of the complete Appraisal to rating agencies, loan participants or your accountants/auditors without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

Tierra Adentro of New Mexico	21-Apr-20
<b>SOURCES &amp; USES OF FUNDS</b>	
Albuquerque, NM	1:51 PM

<b>SOURCES of FUNDS</b>	<b>TANM SOURCES</b>
OWNER EQUITY	\$ 1,392,685
FIRST MORTGAGE	6,520,000
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 7,912,685</b>

<b>USES of FUNDS</b>	<b>TANM USES</b>
<b>LAND ACQUISITION</b>	<b>\$ -</b>
<b>CLOSING COSTS</b>	<b>10,000</b>
<b>HARD CONSTRUCTION</b>	<b>6,520,905</b>
Hard Construction Costs	4,907,493
Site Work	428,413
Contingency	245,375
Contractor Overhead	103,057
Contractor General Requirements	180,351
Contractor Profit	257,643
Sales Tax	398,574
<b>ARCHITECTURAL &amp; ENGINEERING</b>	<b>345,000</b>
Architectural & Engineering	280,000
Civil Engineering	45,000
ALTA Survey	5,000
Surveys & Staking	5,000
Testing & Balancing	5,000
Soils Report	5,000
<b>PERMITS &amp; ENTITLEMENTS</b>	<b>145,000</b>
Impact Fees	75,000
UEC Fees	35,000
Plan Review Fees	5,000
Building Permit Fees	30,000
<b>FINANCING COSTS</b>	<b>131,900</b>
Origination Fee	130,400
Application Fee	800
Document Fee	700
<b>CONSTRUCTION PERIOD COSTS</b>	<b>419,480</b>
Construction Insurance	100,000
Construction Interest	319,480
<b>OTHER DEVELOPMENT COSTS</b>	<b>85,400</b>
Appraisal	15,000
Phase I Environmental	5,000
Construction Testing & Inspection s	15,000
Inspections	20,400
Soft Cost Contingency	30,000
<b>LEGAL</b>	<b>75,000</b>
TANM Legal	25,000
Lender Legal	25,000
Real Estate Legal	25,000
<b>DEVELOPER FEES</b>	<b>180,000</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$ 7,912,685</b>



The Tierra Adentro Charter School Foundation  
Articles of Incorporation

**Article One:** The name of this corporation is The Tierra Adentro Charter School Foundation.

**Article Two:** The period of duration is perpetual.

**Article Three: Purposes**

This nonprofit corporation is organized exclusively for charitable, educational and scientific purposes, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended, including, for such purposes:

- To improve educational outcomes that create an inclusive and thriving learning environment comprised of a demographical and culturally diverse student population with a focus on academics, art, artesanía, and the study of the cultures that comprise our rich New Mexican heritage to ensure awareness, preservation, and progression of our cultural legacy.
- To promote means and opportunities for the organization to support education and community projects to further educate and student development thereof.
- To have the power to purchase, acquire, hold, convey, lease, mortgage, or dispose of property, real or personal, tangible, to borrow money and issue or sell or pledge bonds, promissory notes, bills of exchange, debentures, and other obligations and evidences of indebtedness, payable as a specified time or times or payable upon the happening of a specific event or events whether secured by mortgage, pledge, or otherwise, or unsecured. To do any and all things necessary or proper in connection with or incidental to the forgoing purposes.
- Tierra Adentro Charter School Foundation shall conduct its affairs such that it will not jeopardize its exemption from federal and state income taxation. It is, and shall be, the policy of Tierra Adentro Charter School Foundation that none of its facilities, activities or programs shall exclude from participation any person on the basis of age, race, religion, sex, national origin, sexual orientation, or gender identity.
- This corporation has no power to carry on propaganda, attempt to influence legislation, or take part in a political campaign.
- This corporation shall exercise all powers provided under the Non-Profit Corporation Act of New Mexico.

**Nonprofit Declarations**

At all times shall the following operate as conditions restricting the operations and activities of the nonprofit corporation:

- Notwithstanding any other provisions of this document, this nonprofit corporation shall not carry on any other activities not permitted to be carried on (a) by an organization exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, corresponding section of any future federal tax code, or (b) by an organization, contributions to which are deductible under section 170 (c)(2) of the Internal Revenue Code, or corresponding section of any future federal tax code.
- Upon the dissolution of the nonprofit corporation, assets shall be expended for its 501(c)(3) purposes of this nonprofit corporation, to be determined by majority vote of the Board of Directors.

**Article Four:**

- (1) The New Mexico street address of the corporation initial registered office:  
1511 Central Ave NE, Albuquerque, NM 87106
- (2) The name of the initial registered agent is Veronica Torres

**Article Five:** The names and addresses of the initial Board of Directors are:

<u>Name</u>	<u>Address</u>
Marisa Magallanez	923 Arno SE, Albuquerque, NM 87102
Patrick Trujillo, Esq.	4320 De La Cruz NW, Albuquerque, NM 87107
Diego Gallegos	6304 Alvis Drive SW, Albuquerque, NM 87105

**Article Six:** The name and address of each incorporator is:

<u>Name</u>	<u>Address</u>
Ted Baca	601 Calle Del Pajarito NW, Los Ranchos, NM 87114

**Article Seven: Personal Liability**

No member, officer, or Director of this nonprofit corporation shall be personally liable for the debts or obligations of this corporation of any nature whatsoever, nor shall any of the property of the members, officer, or Directors be subject to the payment of the debts or obligations of this corporation.

**Article Eight: Amendment of Articles of Incorporation**

Amendments to the Articles of Incorporation shall be adopted at a meeting of the Board of Directors upon receiving the vote of two-thirds of the Directors in office.

Dated:

March 15 2016

Incorporator's Signature:

Ted Baca



New Mexico  
**Secretary of State**

325 Don Gaspar, Suite 300 • Santa Fe, NM 87501  
(800) 477-3632 • www.sos.state.nm.us

FILED  
SOS  
Corporation Bureau

APR 04 2016

STATEMENT OF ACCEPTANCE OF APPOINTMENT  
BY DESIGNATED INITIAL REGISTERED AGENT

I, Veronica Torres,  
hereby acknowledge that the undersigned individual or corporation accepts appointment  
as Initial Registered Agent of The Tierra Adentro Charter School Foundation,  
the corporation which is named in the annexed Articles of Incorporation.

*(Sign on this line if the registered agent named in the Articles of Incorporation is an individual.  
If this line is signed, the two lines below do not apply and must be left blank.)*

**CORPORATION ACTING AS A REGISTERED AGENT ONLY**

*(If the following lines are used, the signature line above does not apply and must be left blank)*

*(If the registered agent named in the Articles of Incorporation is a corporation, type or print  
the name of that corporation here.)*

By \_\_\_\_\_  
*(An authorized officer of the corporation being appointed as registered agent must sign here)*

# Valuation Glossary

Valuation & Advisory Services



## CONTACT DETAILS

DIR +1 206 695 4200  
FAX +1 206 682 7938

Colliers International  
601 Union Street  
Suite 4800  
Seattle, WA 98101

[www.colliers.com](http://www.colliers.com)

Unless specified otherwise, these definitions were extracted from the following sources or publications:

*The Dictionary of Real Estate Appraisal*, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 (*Dictionary*).

*Uniform Standards of Professional Appraisal Practice*, 2020-2021 Edition (USPAP).

*The Appraisal of Real Estate*, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 (*14<sup>th</sup> Edition*).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (*Dictionary*)

### Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. (*14<sup>th</sup> Edition*)

### Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. (*Dictionary*)

### Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. (*Dictionary*)

### As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (*Dictionary*)

### Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. (*14<sup>th</sup> Edition*)

### Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. (*Dictionary*)

### Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (*Dictionary*)

### Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. (*Dictionary*)

### Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. (*Dictionary*)



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### Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

### Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

### Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

### Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. *(Dictionary)*

### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

### Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

### Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

### Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.



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8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. (*Dictionary*)

### Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. (*14<sup>th</sup> Edition*)

### Economic Life

The period over which improvements to real property contribute to property value. (*Dictionary*)

### Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (*Dictionary*)

### Effective Date

The date on which the appraisal or review opinion applies (SVP) (*Dictionary*)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (*Dictionary*)

### Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. (*Dictionary*)

### Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). (*14<sup>th</sup> Edition*)

### Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. (*Dictionary*)

### Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. (*Dictionary*)

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## Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (*Dictionary*)

## Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (*Dictionary*)

## Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. (*14<sup>th</sup> Edition*)

## Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. (*Dictionary*)

## Exposure Time

An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (*USPAP*)

## External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be temporary or permanent. (*Dictionary*)

## Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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### Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. (*Dictionary*)

### Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. (*USPAP*)

### Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. (*Dictionary*)

### Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. (*Dictionary*)

### Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. (*Dictionary*)

### Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (*Dictionary*)

### Going-concern

An established and operating business having an indefinite future life. (*Dictionary*)

### Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern or market value of the total assets of the business*. (*Dictionary*)

### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. (*Dictionary*)

### Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (*Dictionary*)

### Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) (*Dictionary*)

# Valuation Glossary

Valuation & Advisory Services

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## Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for that asset when formulating the price that it would be willing to bid (IVS). (*Dictionary*)

## Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (*USPAP*)

## Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition*)

## Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. (*Dictionary*)

## Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. (*Dictionary*)

## Insurable Replacement Cost

The cost estimate, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). (*Dictionary*)

## Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. (*Dictionary*)

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### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. *(Dictionary)*

### Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. *(Dictionary)*

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. *(Dictionary)*

### Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; also known as a *grandfathered use*. *(Dictionary)*

### Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas. *(Dictionary)*

### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specific lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(Dictionary)*



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### Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary*)

### Market Value (Most Common Non-FRT)

The most probable price, as of a specific date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue distress. (*Dictionary*)

### Market Value (Interagency Guidelines)

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales

### Market Value (Inter. Guidelines con't)

concessions granted by anyone associated with the sale. (*Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472*)

### Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property. (*Dictionary*)

### Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. (*Dictionary*)

### Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). (*14th Edition*)

### Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (*Dictionary*)

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### Off-site Costs

Costs incurred in the development of a project, excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. (*Dictionary*)

### On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. (*Dictionary*)

### Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. (*14<sup>th</sup> Edition*)

### Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. (*Dictionary*)

### Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances. (*Dictionary*)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (*Dictionary*)

### Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. (*Dictionary*)

### Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. (*Dictionary*)

### Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. (*Dictionary*)

### Qualitative Adjustment

An indication that one property is superior, inferior, or the same as another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. (*Dictionary*)

### Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. (*Dictionary*)

### Rentable Area

The amount of space on which the rent is based; calculated according to local practice. (*Dictionary*)

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## Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (*Dictionary*)

## Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. (*Dictionary*)

## Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (*Dictionary*)

## Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered vacant when an adequate supply of comparable sales is available. (*Dictionary*)

## Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. (*USPAP*)

## Shopping Center Types

Neighborhood Shopping Center: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

Community Shopping Center: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

Regional Shopping Center: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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## Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. (*14<sup>th</sup> Edition*)

## Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. (*Dictionary*)

## Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (*Dictionary*)

## Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (*Dictionary*)

## Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. (*Dictionary*)

## Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. (*Dictionary*)

## Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. (*Dictionary*)

## Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. (*Dictionary*)

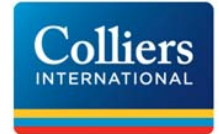
## Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. (*Dictionary*)



# Jared C. Michnovicz

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Jared C. Michnovicz joined Colliers International Valuation & Advisory Services after completing a 10-year tenure at a local appraisal firm in Albuquerque. Jared has been training under MAI designated appraisers over his 10-year career in the appraisal business. Jared has experience appraising many different property types throughout New Mexico and has particular proclivity for subdivisions and special purpose properties. Jared is currently an appraiser analyst and is working toward his state certification and subsequently an MAI designation from the Appraisal Institute.

## EXPERIENCE

Staff Appraiser | Dominion Property Advisors

## APPRAISAL INSTITUTE COURSES

Basic Appraisal Principles

Basic Appraisal Procedures

General Appraiser Income Approach – Part I

General Appraiser Market Analysis and  
Highest and Best Use

General Appraiser Sales Comparison  
Approach





*State of New Mexico*  
**REAL ESTATE APPRAISERS BOARD**

PO Box 25101      Santa Fe, NM 87505      (505) 476-4622



This is to certify that

**Jared Michnovicz      #03048-A**

Having complied with the provisions of the New Mexico Real Estate Appraisers  
Act is hereby authorized to practice as a

**APPRENTICE APPRAISER**

**Issue Date: 02/05/2009      Date Expires: 04/30/2021**

***This appraiser is NOT eligible to perform in Federally Related Transactions***

THIS LICENSE MUST BE CONSPICUOUSLY POSTED IN PLACE OF BUSINESS



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Conner Marshall, MAI is a New Mexico native and the Senior Valuation Services Director for Colliers International Valuation & Advisory Services in New Mexico. He is a General Certified Appraiser and a MAI Designated Member of the Appraisal Institute. He has been in the appraisal business since 2008.

Appraisal assignments have spanned across New Mexico, including the Albuquerque, Santa Fe, Las Cruces and Farmington MSAs, as well as smaller towns such as Clovis, Roswell, Hobbs, and Carlsbad.

Conner has experience appraising numerous property types ranging from the simple to the complex. His practice regularly includes a wide variety of property types including multifamily, office, retail, industrial, raw land, mixed-use and condominium development, religious facilities as well as various special purpose properties.

Conner serves a wide variety of clients including national and local lenders, financial institutions, attorneys, insurance companies, government agencies, developers as well as private individuals.

## EXPERIENCE

Principal & Manager | Marshall Appraisal Company, LLC

Senior Appraiser | Dominion Property Advisors

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Designated Member of the Appraisal Institute

Commercial Association of Realtors NM

## APPRAISAL INSTITUTE COURSES

Advanced Concepts and Case Studies

Advanced Income Capitalization

Advanced Market Analysis and Highest and Best Use

Basic Appraisal Principles

Basic Appraisal Procedures

Evaluating Commercial Construction

Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets

Income Approach – Parts I & II

Market Analysis and Highest and Best Use

Report Writing and Case Studies

Sales Comparison Approach

Site Valuation & Cost Approach

Marketability Studies

Quantitative Analysis

Real Estate Finance, Statistics and Valuation Modeling

USPAP



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**REAL ESTATE APPRAISERS BOARD**

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Act is hereby granted a license to practice as a

***General Certified Appraiser***

***This appraiser is eligible to perform in Federally Related Transactions***

**Issue Date: 04/18/2014    Date Expires: 04/30/2022**

**THIS LICENSE MUST BE CONSPICUOUSLY POSTED IN PLACE OF BUSINESS**





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Loan Pool Valuation  
Appraisal Review  
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Health Care  
Subdivisions  
Embassies & Consulates  
GSA Properties  
Special Use Properties  
Telecommunications

Real estate valuations play a pivotal role in today's business climate. An accurate and well supported opinion of property value can mean the difference between reaching a critical goal—securing a loan, closing a sale, reporting to investors, choosing the best asset—or failing to achieve it altogether.

Colliers Valuation & Advisory Services' reports are designed to deliver insight into a property's fundamentals, its competition and the overall market dynamics affecting value. A solid valuation report can be a strategic asset for investors, lenders and owners, provided that it addresses both a property's unique characteristics and the most current market conditions.

Commitment to high-end client service, coupled with Colliers International's unparalleled market intelligence and resources, differentiates us as the firm of choice in the real estate industry.

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Our professionals share a commitment to deliver the highest level of service and consistent results. We go the extra mile for our clients, whether this means meeting a tight deadline or working with a complex and challenging property.

### TECHNOLOGY

Our unmatched report creation technology speeds appraisals through the pipeline. This secure, centralized production system generates a wide range of reports and high volume portfolio orders without delays.

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Today's business climate places valuation in a more pivotal position than ever before. All our appraisals are evaluated and approved by an experienced review team to ensure our clients receive concise and timely appraisals. With clear, prompt reporting and a comprehensive, big picture approach, Colliers International's Valuation and Advisory reports give our clients the information they need to make better business decisions.

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**Colliers**  
INTERNATIONAL



## **EXHIBIT C –BASE RENT PAYMENT SCHEDULE**

### **And Lease Term**

**[Please revise to show amount of the Rent and the Lease Term]**

#### **CCDFI**

Loan Amount:	\$6,800,000
Interest Rate:	6.25%
Loan Term in Years:	6 years, with a 30-year amortization schedule
Payments Made Per Year:	\$507,041
Scheduled Monthly Payment:	\$42,253.43

#### **Charter School Development Corporation (CSDC)**

Loan Amount:	\$1,000,000
Interest Rate:	6.00%
Loan Term in Years:	20 years
Payments Made Per Year:	\$86,550
Scheduled Monthly Payment:	\$7,212.47

## Exhibit D – Source of Funds for Lease Purchase Agreement

**Financed Amount \$6,800,000 Interest Rate 6.25% CCDFI Loan and \$1,000,000 6.0% CSDC Loan**

Monthly Payment CCDFI	\$42,253.40
Annual Payment CCDFI	\$507,041
Monthly Payment CSDC	\$7,212.47
Annual Payment CSDC	\$86,550

Description of Funding Source	Annual Amount Available	Amount Allocated to LPA
-------------------------------	-------------------------	-------------------------

NM Public School Facilities		\$ _____
Authority - Lease Assistance <sup>a</sup>		
House Bill 33 – APS <sup>b</sup>	\$192,156	\$ _____
SB 9	\$101,373	
Operational	\$ 84,469	

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<sup>a</sup> Lease Assistance is calculated based on FY 2020 award letter. FY2020 funding calculated based on 289 student membership used in final award calculation per PSFA. 236.25 per membership.

<sup>b</sup> Albuquerque Public Schools (APS) House Bill 33 revenue based on FY 2021 projected revenue per APS. Revenue calculated on student membership of 278 students.

**Exhibit E -Copy of the New Mexico Public Education  
Department's approval of this Agreement**

**Exhibit F- Copy of Notes reflecting obligation to pay  
Architect, Contractor and Attorney relating to  
deferred payments**

Principal Amount: \$65,550.00

June 11, 2020  
Albuquerque, New Mexico

### **PROMISSORY NOTE**

**PROMISE TO PAY:** For value received, Tierra Adentro Charter School Foundation, Albuquerque, New Mexico ("Maker"), promises to pay to Design Plus, LLC, 2415 Princeton Drive NE Suite E, Albuquerque, NM 87107 ("Payee") in lawful money of the United States of America, on or before the maturity date of September 1, 2021, the principal amount of Sixty-five Thousand Five Hundred Fifty and No/100 Dollars (\$65,550.00) ("Principal Amount") or so much as may be outstanding, together with accrued interest on the outstanding Principal Amount and such other amounts as may become due, pursuant to the provisions of this Note.

**INTEREST RATE.** Interest shall accrue on this Note from the date hereof at an annual rate of zero percent (0%) per annum.

**PAYMENT:** Maker will pay the sum of \$65,550.00 not later than September 1, 2021, and any other amounts owed under this Note not later than September 1, 2021, the Maturity Date.

**LATE CHARGE:** A late payment penalty of five percent (5%) shall be paid by Maker on any payment that is made more than five (5) days after its due date.

**PREPAYMENT:** Maker reserves the right to prepay all or any portion of this Note prior to maturity without penalty. Prepayments shall be applied to reduce the outstanding balance. Maker will pay Payee at Payee's address shown above or at such other place as Payee may designate in writing.

Maker agrees not to send Payee payments marked "paid in full", "without recourse", or similar language unless the payment being made is the final payment due under this note. If Maker sends such a payment and the payment is not the final payment due hereunder, Payee may accept it without losing any of Payee's rights under this Note, and Maker will remain obligated to pay any further amount owed to Payee.

**DEFAULT:** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default:** Maker fails to make any payment when due under this Note and such payment remains unpaid for a period of thirty (30) days after Payee delivers a notice of default to Maker.

**Default in Favor of Third Parties:** Maker defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that materially affects any of Maker's property or Maker's ability to repay this Note or perform Maker's obligations under this Note.

**Insolvency:** The insolvency of Maker, the appointment of a receiver for any part of Maker's property, or any assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Maker.



**PAYEE'S RIGHTS:** Upon default, and provided that such default remains uncured more than thirty (30) days after Payee's written notice of default is delivered to Maker, Payee may declare the entire unpaid principal balance on this Note immediately due and may impose an interest rate of 5% per annum on the entire unpaid principal balance from and after the date of default, and then Maker will immediately pay that amount, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration and imposition of interest shall be automatic, not optional, and without notice from Payee.

**ATTORNEYS' FEES; EXPENSES:** Maker agrees to pay all costs of collections, including but not limited to, reasonable attorneys' fees, expenses and court costs, which are incurred by Payee in the event of a default by Maker under this Promissory Note.

**GOVERNING LAW:** This Note will be governed by, construed and enforced in accordance with federal law and the laws of the State of New Mexico. This Note has been accepted by Payee in the State of New Mexico.

**AMENDMENTS:** No alteration or amendment of this Note shall be effective unless given in writing and signed by the party or parties sought to be bound by the alteration or amendment.

**SEVERABILITY:** If a court of competent jurisdiction finds any provision of this Note to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other provision. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Note. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Note shall not affect the legality, validity or enforceability of any other provision of this Note.

**ADDITIONAL PROVISIONS:** Notwithstanding any other provisions of this Note to the contrary:

**Payee's Remedies:** Payee may exercise any and all remedies available to it. Payee's rights are cumulative and may be exercised together, separately, and in any order.

**No Assignment:** Maker agrees not to assign any of Maker's rights or obligations under this Note without Payee's prior written consent.

**Prepayments:** The terms "prepayment" and "early payment" mean any payment that exceeds the combined amount of interest, principal due, and charges due as of the date Payee receives that payment. The amount of this excess will be applied to the outstanding principal balance.

**Final Payment:** Maker agrees that, if Maker owes any late charges, collection costs or other amounts under this Note, Maker's final payment under this Note will include all of these amounts, as well as all unpaid principal.

**SUCCESSOR INTERESTS:** The terms of this Note shall be binding upon Maker, and upon Maker's successors and assigns, and shall inure to the benefit of Payee and its successors and assigns.

**GENERAL PROVISIONS:** Payee may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Maker and any other person who signs, guarantees, or endorses this Note, to the extent allowed by law, waives presentment, protest, demand, notice of nonpayment, notice of dishonor, notice of protest, and all other demands and notices with respect to this note and any guaranty of this note, other than notice of default as provided herein. Maker agrees that any extension or postponement of the time of payment or any other indulgence by the holder of this note is without prejudice to the holder of this note and without releasing any maker, endorser, or guarantor hereof except as provided for in the extension or postponement which Payee may grant. Maker agrees that no delay or omission in the enforcement hereof, or of any guaranty hereof, or in the exercise of any right hereunder or under any guaranty hereof, shall affect the liability of any maker, endorser, or guarantor of this note.

**NON-LIABILITY OF PAYEE:** The relationship between Maker and Payee created by this Note is strictly a debtor and creditor relationship and not fiduciary in nature, nor is the relationship to be construed as creating any partnership or joint venture between Payee and Maker. Maker is exercising Maker's own judgment with respect to Maker's business. Payee and Maker intend that each may reasonably rely on all information supplied by the other, together with all representations and warranties given by them to each other, without investigation or confirmation by Payee and that any investigation or failure to investigate will not diminish Payee's right to so rely.

**PRIOR TO SIGNING THIS NOTE, MAKER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. MAKER AGREES TO THE TERMS OF THE NOTE.**

**MAKER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**MAKER**

By: \_\_\_\_\_  
President  
Tierra Adentro Charter School Foundation

## NON-NEGOTIABLE DEVELOPER NOTE

Date:

Principal Amount: \$180,000

FOR VALUE RECEIVED, the undersigned TIERRA ADENTRO CHARTER SCHOOL FOUNDATION, a New Mexico non-profit corporation (hereinafter referred to as "Owner") promises to pay to PacifiCap Properties Group, LLC (hereinafter referred to as "Developer") the sum of One Hundred Eighty Thousand Dollars (\$180,000), at its offices located at 412 NW 5<sup>th</sup> Avenue, Suite 200, Portland, OR 97209 or at such other place as Developer may from time to time designate in writing. This note (the "Note") bearing 5% interest, is not negotiable and is subject to the terms and conditions of the Development Services Agreement between Developer and Owner, dated as of \_\_\_\_\_ (the "Development Services Agreement"). Capitalized terms not otherwise defined herein have the meanings set forth in the Development Services Agreement.

1. Interest. Sums owing under this Note shall bear interest at a rate of 0%.
2. Payment Terms. This Note shall be due and payable in full upon issuance of a Certificate of Occupancy for the charter school building located at 1781 Bellamah Avenue NW, Albuquerque, NM 87104 ("Maturity").
3. Collection Costs. If this Note is not paid at Maturity or is placed in the hands of an attorney for collection after default or if it is collected through a bankruptcy, a probate or other court after Maturity, Owner agrees to pay to Developer all of its reasonable costs of collection including, but not limited to, all court costs and fees and reasonable attorneys' fees.
4. Applicable Law and Validity. The obligations of the parties hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of New Mexico and the United States of America. If one or more of the provisions contained in this Note shall be for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but this Note shall be construed as if such invalid, illegal or unenforceable provisions had never been included.
5. Security. At Developer's option and sole expense, this Note may be secured by a mortgage subordinated to the liens of the Permanent Financing on the Project if permitted by the Permanent Financing documents.
6. Prior Liens. Enforcement of rights under this Note shall be secondary and inferior to the liens securing payment of any prior note(s) and mortgage(s) under the Permanent Financing. The holder of this Note shall take no action which would (i) constitute a default under any of the terms and conditions of Owner's Permanent Financing documents or (ii) constitute an acceleration of Owner's obligations under the Permanent Financing documents.

**IN WITNESS WHEREOF**, the undersigned Owner has executed this Note the date and year first written above.

**OWNER:**

**TIERRA ADENTRO CHARTER SCHOOL FOUNDATION**  
a New Mexico non-profit corporation

By: \_\_\_\_\_

Name: Dr. Diego Gallegos

Title: Board President

**ACKNOWLEDGEMENT OF  
DEVELOPER:**

**PACIFICAP PROPERTIES GROUP, LLC**  
a Nevada limited liability company

By: \_\_\_\_\_

Name: Chad I. Rennaker

Title: President

**Principal Amount: \$50,000.00**

**June 11, 2020  
Albuquerque, New Mexico**

**PROMISSORY NOTE**

**PROMISE TO PAY:** For value received, Tierra Adentro Charter School Foundation, Albuquerque, New Mexico (“Maker”), promises to pay to Modrall Sperling Roehl Harris and Sisk, P.A. (“Payee”) 500 Fourth Street NW, Albuquerque, NM 87103 in lawful money of the United States of America, on or before the maturity date of September 1, 2021, the principal amount of Fifty Thousand and No/100 Dollars (\$50,000.00) (“Principal Amount”) or so much as may be outstanding, together with accrued interest on the outstanding Principal Amount and such other amounts as may become due, pursuant to the provisions of this Note.

**INTEREST RATE.** Interest shall accrue on this Note from the date hereof at an annual rate of zero percent (0%) per annum.

**PAYMENT:** Maker will pay the sum of \$50,000 not later than September 1, 2021, and any other amounts owed under this Note not later than September 1, 2021, the Maturity Date.

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**MAKER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.**

**MAKER**

By: Diego Gallegos  
President  
Tierra Adentro Charter School Foundation



STATE OF NEW MEXICO  
PUBLIC EDUCATION DEPARTMENT  
300 DON GASPAR  
SANTA FE, NEW MEXICO 87501-2786  
Telephone (505) 827-5800  
[www.ped.state.nm.us](http://www.ped.state.nm.us)

RYAN STEWART, ED.L.D.  
SECRETARY DESIGNATE OF EDUCATION

MICHELLE LUJAN GRISHAM  
GOVERNOR

April 9, 2021

Ms. Theresa Archuleta, Co-Director  
1905 Mountain Rd., NW  
Albuquerque NM, 87104

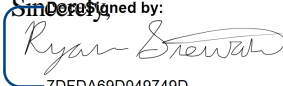
**Re: Lease Purchase Arrangement Approval between Tierra Adentro Charter School and Tierra Adentro Charter School Foundation.**

Dear Ms. Archuleta,

The Public Education Department has reviewed the terms of your proposed lease purchase arrangement with the Tierra Adentro Charter School Foundation according to the Public School Lease Purchase Act [Section 22-26A-1 NMSA 1978, *et seq.*]. Based upon our review, the proposed arrangement fulfills requirements of law and the Constitution of New Mexico; specifically, our review has found the proposed agreement:

1. Offers an option to purchase the property for a price reduced according to the lease payments made to the Tierra Adentro Charter School Foundation;
2. Confers no legal obligation to continue the lease from year to year to purchase the real property;
3. Provides the lease shall be terminated if there is insufficient money to meet current lease payments; and
4. Meets other applicable requirements of law.

We wish you the best of luck with the success of your school and thank you for your commitment to your students.

Sincerely,  
  
7DFDA69D049749D...  
Ryan Stewart, Ed.L.D.  
Secretary of Education

RS/kf/ao

cc: Adan Delgado, Deputy Secretary, Finance & Operations  
Antonio Ortiz, Director, Student Services & Transportation Division  
Kevin Force, Attorney, Office of the General Counsel  
Arthur Melendres, Attorney, Modrall Sperling  
Jonathan Chamblin, Director, PSFA