

**CITY OF SANTA FE  
AMENDMENT # 2 TO  
THE LEASE AGREEMENT BETWEEN THE CITY OF SANTA FE AND GARSON STUDIOS  
SANTA FE LLC, A NEW MEXICO LIMITED LIABILITY COMPANY**

This Amendment # 2 (the "Amendment #2") to the City of Santa Fe Lease Agreement ("Lease"), Item # 19-0341, dated May 9, 2019, as amended by Amendment # 1, Item # 20-0257, dated May 27<sup>th</sup>, 2020 (the "Amendment #1") between the CITY OF SANTA FE, New Mexico ("City", "Lessor") and GARSON STUDIOS SANTA FE LLC, a New Mexico limited liability company ("GSSF", Lessee) (collectively the "Parties") is hereby made and shall be effective on February 27<sup>th</sup>, 2021.

**RECITALS:**

- A. The Lessor and Lessee are parties to the Lease under which the Lessee leases Lessor-owned real property, referred to as the Midtown campus (hereinafter "**Midtown Campus**"), and generally located at 1600 St. Michaels Drive in the City of Santa Fe, NM. The Premises delineated in Section 1(A) and **Exhibit A** of the Lease are located within the Midtown Campus. The Lease and this Amendment # 2 to the Lease are to facilitate the continued commercial use of the Premises for film, television, and media production.
- B. By virtue of the Term currently in effect under Amendment # 1, Section 2(A) (amending Section 3(A) of the Lease), and under the Shelter in Place Extension under Amendment # 1, Section 2(C) (amending Section 3(E) of the Lease), the Term of this lease has been extended through February 26, 2021.
- C. The Parties to the Lease understand that the Premises and Grounds on the Midtown Campus are the subject of a Request for Expressions of Interest process ("**RFEI**") for the redevelopment and eventual disposition of the campus to be developed over the course of the next several years. The development program at the Midtown Campus includes the ongoing operations and expansion of the film and multi-media production uses, as well as film production school and training.
- D. The parties wish to solely modify Sections 1, 3, 4, and 16 of the Lease as set forth herein, and to keep all remaining Sections of Amendment # 1 and the underlying Lease intact.

**WITNESSETH:**

In consideration of Lessee's promises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree that the Lease be amended as follows:

**AMENDMENT:**

**1. Amendments to Section 1, "Premises Granted," of the Lease and Amendment #1.**

- A. By this Amendment, Section 1(A), "Exclusive Use," of the Lease, as amended by Section 1(A) of Amendment # 1, is hereby removed and replaced in its entirety with the following:

A. Exclusive Use. Lessor allows Lessee to exclusively use and occupy, and subject to the terms and conditions of this Lease, that certain portions of existing Lessor-owned property, as described below and shown on **Exhibit A** attached to the Lease and incorporated herein (the "**Premises**"). The Premises consists of the following Lessor-owned real property located at 1600 St. Michael's Drive, Santa Fe, New Mexico and includes the Lessor's personal property within it:

<u>Garson Studios Area</u>	<u>Quantity</u>
Department Head Office	330 Square Feet
Stages A, B & C and Production Offices	29,168 Square Feet
Parking Lot G	4.6 Acres

B. By this Amendment, Section 1(C), "Non-Exclusive Ingress and Egress across Grounds," of the Lease, as amended by Section 1(B) of Amendment # 1, is hereby removed and replaced in its entirety with the following:

C. Non-Exclusive Ingress and Egress across Grounds. Lessor grants the Lessee non-exclusive ingress and egress to the Premises through the Lessor-owned property at Midtown campus located at 1600 St. Michael's Drive in Santa Fe, New Mexico described and shown on **Exhibit B** (the "**Grounds**"), subject to any existing or future leases, licenses, permitted uses or occupancies by others by the Lessor, upon portions of property on the Grounds that the Lessor may, without limitation, enter into or assign.

## 2. Amendments to Section 3, "Term," of the Lease.

A. By this Amendment, Section 3(A), "Term," of the Lease, as amended by Section 2(A) of Amendment # 1, is hereby removed and replaced in its entirety with the following:

A. Term. The term of this Lease, (the "**Term**"), commenced at 12:00 a.m. on the Effective Date of the Lease. The Lease shall terminate at midnight on August 26, 2022.

B. By this Amendment, Section 3(B), "Twenty-Four Month Maximum Holdover," of the Lease, as set forth in Section 2(B) of Amendment # 1, is hereby removed and replaced in its entirety with the following:

B. Holdover Extensions. Six (6) months prior to the expiration of the Term of this Lease or any Holdover Extension previously granted by the City pursuant to this Section 3(B), the City may at its sole discretion grant the Lessee a six (6) month extension of the Lease's term then in effect (each such period being a "**Holdover Extension**"). There may be up to four (4) such Holdover Extensions of six (6) months each.

## 3. Amendment to Section 4, "Use of Premises and Grounds," of the Lease.

A. By this Amendment, Section 4(A), "Licensed Use," of the Lease, as amended by Section 3(A) of Amendment # 1, shall be removed and replaced in its entirety with the following:

A. Licensed Use; Adjustment of Premises Footprint During Term. Lessee shall use the Premises for the purpose of licensing its use by film, television, and media production entities ("**Production Entities**") to produce films, broadcast media, or television shows ("**Films**") and for the purposes of commercial uses associated with the Production Entities'



Allowed Use of the property. Lessee shall not license or otherwise encumber the Premises or Grounds for any other purpose without Lessor's prior written approval.

**4. Amendments to Section 16, "Termination," of the Lease.**

A. By this Amendment, Section 16(A), "Termination by Lessor," of the Lease, as amended by Section 7(A) of Amendment # 1, is hereby removed and replaced in its entirety with the following:

A. Termination for Cause by Lessor. In addition to Lessor's right of non-renewal as described in Section 3(B) of this Lease, Lessor may only terminate this Lease for cause upon Lessee's failure to comply with any provisions contained herein. Prior to termination for cause, Lessor shall hand-deliver or mail notice to Lessee via certified or registered mail specifying:

- (i) the breach by Lessee;
- (ii) the action required by Lessee to cure the breach;
- (iii) a date, not less than fifteen (15) days from the date the notice is hand-delivered or mailed to Lessee, by which such breach must be cured; and
- (iv) that failure to cure the such breach on or before the date specified in the notice will result in termination of the Lease.

B. By this Amendment, Section 16(B), "Termination by Lessee," of the Lease, is hereby removed and replaced with the following:

B. Termination Without Cause by Lessee or Lessor. Lessee may terminate this Lease with written notice to Lessor at least one-hundred eighty (180) days prior to the termination date. Lessor may terminate this Lease in the exercise of its right of non-renewal pursuant to Section 3(B) of this Lease with written notice to Lessee at least one-hundred eighty (180) days prior to the expiration of the Term or any Holdover Extension then in effect.

Except as specifically provided in this Amendment # 2, the Lease and Amendment # 1 remains and shall remain in full force and effect, in accordance with its term.

IN WITNESS WHEREOF, the parties have executed this Amendment #2 as of this 15<sup>th</sup> day of February, 2021.

LESSOR:  
CITY OF SANTA FE



ALAN WEBBER, MAYOR

APPROVED AS TO FORM FOR LEGAL SUFFICIENCY:

Andrea Salazar  
ERIN K. MCSHERRY, CITY ATTORNEY

APPROVED AT TO FINANCE:

Mary McCoy  
MARY T. MCCOY, FINANCE DIRECTOR

ATTEST:

Kristine M. Mihelcic  
Kristine Mihelcic (Feb 15, 2021 23:34 MST)  
KRISTINE M. MIHELICIC, CITY CLERK GC  
GB MTG 02/10/2021

LESSEE:  
GARSON STUDIOS SANTA FE, LLC

*Claudio Ruben for Garson Studios Santa Fe LLC*

\_\_\_\_\_  
CLAUDIO RUBEN, PRINCIPAL

STATE OF NEW MEXICO)

) ss.

COUNTY OF SANTA FE )

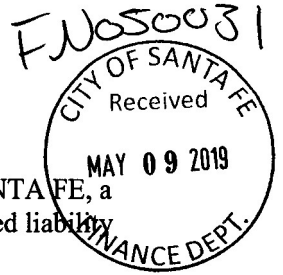
The foregoing instrument was acknowledged before me this 1 day of February 2021, by CLAUDIO RUBEN, the Principal of Garson Studios Santa Fe LLC, a New Mexico limited liability company.



OFFICIAL SEAL  
Zayra Sanchez  
NOTARY PUBLIC - STATE OF NEW MEXICO  
July 23 2022

*Zayra Sanchez*  
\_\_\_\_\_  
Notary Public  
My commission expires: July 23 2022

**LEASE AGREEMENT  
GARSON STUDIOS  
1600 ST. MICHAEL'S DRIVE  
SANTA FE, NEW MEXICO**



This LEASE AGREEMENT ("**Lease**") is made and entered into by and between the CITY OF SANTA FE, a municipal corporation ("**Lessor**") and GARSON STUDIOS SANTA FE LLC, a New Mexico limited liability company ("**Lessee**"), collectively the "**Parties**".

**WITNESSETH:**

In consideration of the Lessee's promises herein, Lessor grants Lessee a Lease, terminable as hereinafter provided, to enter on and make use of the real property of Lessor as follows:

**1. PREMISES GRANTED**

A. Exclusive Use. Lessor allows Lessee to exclusively use and occupy, and subject to the terms and conditions of this Lease, that certain portion of existing Lessor-owned property, as described below and shown on **Exhibit A** attached hereto and incorporated herein (the "**Premises**"). The Premises consists of the following Lessor-owned real property located at 1600 St. Michael's Drive, Santa Fe, New Mexico and includes the Lessor's personal property within it:

<u>Garson Studios Area</u>	<u>Quantity</u>
Department Head Office	330 Square Feet
Stages A, B & C and Production Offices	29,168 Square Feet
Parking Lot G	4.6 Acres

B. Option to Temporarily Reduce the Premises. Lessee has the exclusive option to temporarily reduce the area of Premises if the areas to be reduced are not licensed, used, occupied or otherwise encumbered by the Lessee or any licensee of the Lessee during the period of time in which the temporary reduction occurs. Five days before the beginning of any month in which the Lessee will be exercising the option to temporarily reduce the Premises, Lessee shall notify the Lessor of the portions of the Premises which are not reduced ("**Temporarily Reduced Premises**"), the beginning and end dates of the reduction, and the Base Rent that will be due on the first of the month under Lease Section 6.A.

C. Non-Exclusive Ingress and Egress across Grounds. Lessor grants the Lessee non-exclusive ingress and egress to the Premises through the Lessor-owned property at Midtown campus located at 1600 St. Michael's Drive in Santa Fe, New Mexico described and shown on **Exhibit B** (the "**Grounds**"), subject to any existing or future leases, licenses, permitted uses or occupancies by others by the Lessor, upon portions of property on the Grounds that the Lessor may, without limitation, enter into or assign.

D. Condition. Lessee accepts the Premises in its present state and agrees that it is in good condition, without any representation or warranty by Lessor as to the condition of the Premises and Grounds or as to the use which may be made thereof.

**2. EFFECTIVE DATE**

This Lease shall become effective when signed by the Lessor and the Lessee, whichever occurs last (the **Effective Date**).

**3. TERM**

A. Term. The term of this Lease shall commence at 12:00 a.m. on the Effective Date. The term of this Lease (the "**Term**") shall terminate at midnight of the day that occurs one calendar year after the Effective Date).

B. Thirty-Six Month Maximum Holdover. In the event Lessee remains in possession of the Premises after the expiration of the Term of this Lease, such possession may, at the sole option of Lessor, be continued for one or

more six-month holdover period(s) up to a maximum of thirty-six months and shall terminate no later than midnight of the day that occurs four calendar years after the Effective Date, and the terms and conditions of the Lease shall be otherwise applicable. Lessor's approval of each six-month holdover period is deemed granted unless the Lessor gives notice otherwise at any time prior to the expiration of the Term or holdover in effect at the time such notice is given, per conditions specified in Sections 16 and 18 of this Lease.

C. Validity of Licenses. The expiration or termination of this Lease shall not affect the validity of any license which has received prior written approval by the Lessor for use of the Premises, and which was made by the Lessee prior to the expiration or termination of this Lease.

D. No Renewal or Extension. This Lease may not be renewed or extended by the Parties, except as provided in Part 3.B of this Lease. If Lessee wishes to have a lease agreement at the termination or expiration of this Lease, the Lessee shall contact the Lessor at least two months prior to such expiration or termination to initiate discussions of a new lease agreement.

#### **4. USE OF PREMISES AND GROUNDS**

A. Licensed Use. Lessee shall use the Premises and Grounds for the purposes of licensing their use by film, television, and media production entities ("Production Entities") to produce films, broadcast media, or television shows ("Films") and for the purposes of commercial uses associated with the Production Entities' Allowed Use of the property.

Lessee shall not license or otherwise encumber the Premises or Grounds for any other purpose, without prior written approval by the Lessor. Lessee may use the Premises and Grounds or portions thereof for Allowed Uses which are not licenses or encumbrances without notifying or seeking consent of the Lessor.

B. Allowed Uses: The Lessee may allow its licensees to use and occupy the Premises or Grounds for Film production, production office, parking, and storage uses related to the Films ("Allowed Uses"). Other commercial uses associated with Production Entities are allowed without the prior consent of the Lessor. Production of obscene material, deemed by the Supreme Court of the United States as not protected by the First Amendment of the U.S. Constitution, is expressly understood to be prohibited and not an Allowed Use. Failure of the Lessee to restrict the use of the Premises as provided herein shall be deemed a substantial breach of this Lease and may constitute grounds for immediate termination by Lessor.

C. Improvements and Alterations. Lessee shall not develop, improve, or otherwise alter, and shall not allow others to develop, improve or otherwise alter the Premises or Grounds, without prior written approval by the Lessor. Lessee shall own any improvements that the Lessee places, or causes to be placed, on the Premises or Grounds during the Term of this Lease, unless the Parties agree otherwise in writing. Upon termination of this Lease, title to any and all such improvements shall pass to Lessor.

D. Trade Fixtures. Lessee shall not install trade fixtures on the Premises or Grounds without prior written approval by the Lessor. All trade fixtures installed by Lessee after the Effective Date of this Lease shall remain the property of Lessee, who shall remove the same upon termination of this Lease, provided that removal shall be done in such a manner as not to injure or damage the Premises or Grounds.

In the event that Lessee fails to remove the trade fixtures, Lessor may require Lessee to remove the same. In the event that Lessee fails to remove said trade fixtures after receipt of notice from Lessor, Lessor may remove and dispose of the same as it sees fit and Lessee agrees to sell, assign, transfer and set over to Lessor all of Lessee's right, title and interest in and to said trade fixtures and any personal property not removed by Lessee. Lessee further agrees that should Lessor remove said trade fixtures pursuant to this paragraph, that Lessee shall pay Lessor upon demand the cost of such removal, plus the cost of transportation and disposal thereof.

E. Repairs and Maintenance. Lessee shall not cause or allow any waste, damage, or injury to the Premises or Grounds or to any improvements made to the Premises or Grounds. Lessee shall keep and maintain the Premises in



good and clean condition at all times and shall promptly perform or cause to be performed any and all required repairs and replacements that arise within the Premises during the Term of this Lease. The cost of repairs and replacements to building systems necessary for occupancy and proper functioning of the buildings in which the Premises are located, such as HVAC, electrical, plumbing, fire alarm and suppression, and roofing systems, shall be performed by the Lessor at its sole expense.

For the purposes of this Section 4E, unless otherwise approved in advance in writing by the Lessor, Lessee's responsibilities for repairs and maintenance of the Premises shall not include major capital improvements such as repairs and replacements to major building systems such as roof membrane systems, heating/ventilation/air-conditioning systems, electrical and plumbing systems, roof and wall structural systems.

In the event Lessee fails to maintain the Premises at a standard acceptable to the Lessor as determined in Lessor's sole discretion, Lessor may terminate this Lease, in accordance with Section 16 herein.

F. Contractors. Any contractor used by the Lessee to repair, maintain or otherwise service the Premises shall be licensed, bonded and insured. These contractual arrangements and costs are the responsibility of Lessee and qualify as Operational Expenses, defined herein.

G. Weight Loads. Lessee shall not allow any vehicles or heavy equipment in the licensed stages on the Premises, without the prior written authorization of the Lessor.

H. Security Guards and Fire Protection Personnel. Lessor shall not bear any responsibility to provide, pay for or otherwise provision security guards and/or fire protection personnel, which Lessor, Lessee, or a licensee may reasonably require for the protection of their respective property and the Premises.

I. Fires, Firearms, Explosives, and Hazardous Wastes. Lessee shall not conduct any dangerous or illegal activities at the Premises or Grounds; keep any toxic, hazardous, dangerous or offensive materials on the Premises or Grounds; or keep substances or articles in or about the Premises or Grounds or any other part of the Lessor's property which will in any way impair or invalidate, or increase the premium costs of insurance policies carried by the Lessor.

Lessee shall not light fires or discharge firearms, smoke effects, or explosives on or about the Premises or Grounds without having first obtained all necessary permits from any and all appropriate governmental authorities and permission from the City's Fire Chief. Lessee shall in all cases have employed or require its licensee to employ a licensed operator to discharge firearms or explosives. Lessee shall secure or shall ensure that any licensee has secured, at the end of each production day, all firearms and explosives brought on the Premises or Grounds by Lessee or its licensee.

Lessee hereby specifically indemnifies and agrees to hold the City and the City's employees, officers, managers, agents and assignees harmless from and against any and all liability, causes of action, damages, costs or expenses, including without limitation reasonable outside attorney's fees, directly arising out of or in any way connected with the use or possession by Lessee or its licensee of firearms, fires, smoke effects, noxious gases and explosives at the Premises or Grounds.

Lessee shall have the sole responsibility for the daily removal and legally proper disposal of all hazardous wastes from the Premises. Lessee shall not spray or otherwise utilize any toxic or hazardous material inside the Premises or Grounds without prior written consent from the Lessor. Any such approved use of toxic or hazardous material shall comply with all applicable legal requirements. Under no circumstance shall Lessee alter in any way, or use for any production purpose, any firehose, sprinkler system or equipment supplying water to the hoses or sprinkler system.

J. Security. The Lessor reserves the right, in its reasonable but sole discretion, to refuse admittance to the Premises or Grounds to any employee, licensee, or other person associated with Lessee who behaves in a negligent or dangerous manner that could result in harm to the Premises or Grounds, or people.

K. Photographic rights. Lessor hereby acknowledges that Lessor does not have any interest in Lessee's or its licensee's still photography, film or other recording on or of the Premises or Grounds, nor any right of action against a licensee or any other party arising out of any use of said photography. Lessor hereby grants to Lessee, its licensees, assigns, and successors the irrevocable and perpetual right, worldwide, in any manner and in any media to use and exploit the films, photographs, and recordings made of or on the Premises or Grounds in connection with the Films in such manner and to such extent as Lessee desires in its sole discretion. Lessee and its licensees, assigns and successors shall be the sole and exclusive owner of all rights of whatever nature, including all copyrights, in and to all films, photographs and recordings made on or of the Premises or Grounds, in perpetuity, throughout the universe. Lessor has no rights of whatever nature, including without limitation all copyrights, in all films, photographs and recordings made of or on said Premises or Grounds in connection with the Film and including, without limitation, the exclusive right to assign and/or license Lessee's or its licensee's rights without restriction or impairment of any kind.

In the event of a breach of this Lease by Lessee or breach of a license by a licensee, Lessor shall not have the right to enjoin or otherwise restrain the production, marketing, or exploitation of the Film.

L. Confidentiality. The Lessor shall not use any name, logo, Film title, trademark or other proprietary mark of Lessee or its licensees in any manner. The Lessor agrees to not officially publicize, advertise or promote the appearance of the Premises or Grounds in the Films, without the prior written consent of Lessee or its licensee. The Lessor's confidentiality obligations hereunder shall apply to any and all media, including, without limitation, any social networking site; microblogging service; user-generated or user-uploaded content website; online forum, discussion thread or comment section; personal website or blog; user modified website; or any other website, service, platform, application or other form or method of communication, whether now known or hereafter devised (e.g., Facebook and Twitter). Lessee acknowledges that the owner and lessor of the Premises and Grounds is the City of Santa Fe, a municipal corporation and political subdivision of the State of New Mexico and, as such, is required to comply with the State of New Mexico Inspection of Public Records Act (IPRA) and, to the extent that Lessor possesses written or electronic information about the Film, that Lessor may be required by law to release that information pursuant to an IPRA information request.

In acknowledgement of the above, and to maintain confidentiality regarding the Film, the Parties agree as follows:

Lessee shall not transmit to Lessor any information regarding the Film that any licensee desires to remain confidential including, without limitation, information and photographs regarding a licensee, participants in the Film (e.g., actors, producers, crew, etc.), the set, storylines and methods of production of the Film and any other non-public information (whether written, electronic, graphic or any other form).

Lessor shall use reasonable care in its responses to IPRA requests to protect, as allowed by law, any of Lessee's or its licensee's confidential information.

M. Compliance with Laws. Lessee's use of the Premises and Grounds shall at all times be in compliance with the City of Santa Fe Municipal Code and other applicable local, state and federal regulations including but not limited to compliance with the City of Santa Fe Integrated Pest Management Policy (§10-7 SFCC 1987) and the City's Noise Ordinance (§10-2 SFCC 1987). Failure of Lessee to comply with conditions of use of the Premises and Grounds as provided herein shall be deemed a breach of this Lease and may constitute grounds for termination of this Lease by the Lessor pursuant to Section 16 of this Lease.

N. Stage Manager. The Lessee shall cause its licensees to be solely responsible to contract with and assume all costs for a Stage Manager approved in advance in writing by the Lessor. The Stage Manager shall comply with all legal, regulatory, and contractual requirements for use of the Premises and Grounds and shall seek and obtain prior written approval by the Lessor for the Lessee or its licensees to use certain personal property in the production of the Film. The Stage Manager shall regulate licensees' ingress, egress and filming on the Premises and Grounds.

O. Condition of Premises and Grounds upon Surrender. Upon expiration or termination of this Lease, Lessee shall, at its expense, strike and remove all sets, materials and equipment placed upon the Premises and Grounds by Lessee

other than the personal property purchased as an Operational Expense, and shall clean the Premises, steam clean the office carpet, and remove all residue and articles of rubbish so as to leave the Premises in substantially the same condition as when Lessee took possession thereof, reasonable wear and tear excepted. In the event Lessee lays materials on or paints any portion of the stage floor, wall, or cyclorama, or makes any alterations as described herein with the Lessor's approval, Lessee shall either restore or compensate the Lessor for restoration of that portion of the premises. Further, to the extent deemed necessary by the Lessor due to the condition of the Premises, the cost of a professional cleaning service will be charged to the Lessee, provided that the Lessor shall provide Lessee with three (3) days prior written notice via email and an opportunity to clean Premises prior to the Lessor charging for such cleaning.

Pursuant to its obligation under the Lease, Lessee specifically agrees to repaint the stage floors whichever stage(s) Lessee uses (Stage A, Stage B and/or Stage C) in a reasonable and professional manner under the direction of the Stage Manager as follows: Dunn-Edwards Rustoleum matte water-based urethane, "Walrus" color; for Stage A, minimum 25 gallons; for Stage B, minimum 12 gallons; for Stage C, minimum 7 gallons. Amounts may be doubled if a second coat is required at the discretion of the Lessor or Stage Manager. For the Green Screen, the use of Mann Brothers paint (or equivalent) is required in the color Digital Green- Vara Bond, Acrylic Latex Flat.

**P. Failure to Comply.** Failure of Lessee to comply with conditions of use of the Premises and Grounds as provided herein shall be deemed a breach of this Lease and may constitute grounds for termination of this Lease by the Lessor pursuant to Section 16 of this Lease.

## **5. LICENSES**

**A. Duty to License Use of Premises.** Lessee shall actively pursue and enter into licenses with Production Entities for the use of the Premises or portions thereof. Lessee shall be the "Licensor" to licensees of the Premises.

**B. Licensed Use of Grounds.** Lessee may license the exclusive use of portions of the Grounds to Production Entities for Films.

**C. Form License.** Lessee shall use the form license agreement ("**Form License**"), attached as **Exhibit C**, incorporated herein, to license the use of the respective Premises or Grounds or portions thereof, to respective Production Entities. The licensing of the Lessor's personal property, with the exception of typical office furniture, is not included on the Form License and must be approved in writing before any license for such may be entered into.

**D. Lessor Approval Required.** Prior written approval by the Lessor shall be required before Lessee may enter into any License agreement.

**E. Acceptance and Feasibility.** In entering this Lease, Lessee agrees that the explicit terms in the Form License are acceptable to the Lessee and feasible for the Lessee to execute.

**F. Termination or Expiration of License.** Lessee shall immediately notify the Lessor upon any one or more of the following events: Lessee's receipt of notice that a licensee intends to terminate a license with Lessee; Lessee's intent to terminate a license with a licensee; or the termination or expiration of a License.

## **6. RENT**

During the Term of and in consideration of this Lease and the demise of the Premises or Temporarily Reduced Premises by Lessor to Lessee, Lessee hereby agrees and covenants with Lessor to pay for said Premises or Temporarily Reduced Premises the Net Base Rent on the first day of each month in which the use accrues for duration of the Term.

**A. Net Base Rent.** "**Net Base Rent**" equals the Base Rent or Revised Base Rent, less eligible direct out-of-pocket operational expenses in furtherance of the Lease for that month. For any individual Operational Expense to be eligible for deduction from the Base Rent or Revised Base Rent, such expense must be less than Five Hundred Dollars (\$500.00), unless Lessee obtains prior written approval from Lessor. In addition, prior written Lessor

approval is required if the total Operational Expenses in any given month exceeds Ten Thousand Dollars (\$10,000.00). Net Base Rent equals Base Rent or Revised Base Rent, minus Operational Expenses.

(i) **Base Rent:** "**Base Rent**" shall be the base rent for each month, which shall be calculated as the sum of the respective Quantities of each designated Garson Studio Area comprising the Premises or Temporarily Reduced Premises in the month in which the use accrues, multiplied by the corresponding Annual Rates shown in the following table, and divided by the twelve months of the year:

<u>Garson Studios Area</u>	<u>Quantity</u>	<u>Units</u>	<u>Annual Rate</u>	<u>Monthly Rent</u>
Department Head Office	330	Square Feet	\$15.47 per SF	\$425
Stages A, B & C and Production Offices	29,168	Square Feet	\$22.45 per SF	\$54,575
Parking Lot G	4.6	Acres	\$13,015 per Acre	\$5,000
BASE RENT FOR THE PREMISES				\$60,000

(ii) **Revised Base Rent.** If an MAI-certified appraiser licensed by the State of New Mexico establishes via a real estate appraisal ("**Appraisal**") that the monthly fair market rent (the "**MFMR**") of the Premises or Temporarily Reduced Premises differs by more than 5% from the Base Rent as stated herein, then the Lessor shall obtain the Appraisal and notify Lessee of the Base Rent established thereby. The revised base rent ("**Revised Base Rent**") shall equal the MFMR in the Appraisal and will be due on the first day of the month after the expiration of sixty (60) days' notice to the Lessee.

(iii) **Termination.** Upon notification of the Revised Base Rent by Lessor, Lessee may terminate this Lease in accordance with Section 16 of this Lease. In such event, the Parties agree to negotiate in good faith to establish the amount of the Base Rent due for the period that Lessee occupied the Premises prior to termination.

(iv) **Operational Expense.** "**Operational Expense**" shall mean any and all expense incurred by Lessee in connection with the operation, maintenance and repair of the Premises as necessary for a licensee's production of Films, including, but not limited to, the following: purchases of personal property including without limitation durable, moveable equipment such as refrigerators, washer and dryers, microwaves and coffee machines which are not considered fixtures; charges or fees for, and taxes on, the furnishing of electricity, fuel, water, sewer, gas, oil and other utilities unless otherwise assigned in Section 8.; security; pest control; cleaning of windows; janitorial services; trash and snow removal; landscaping and repair and maintenance of grounds; governmental permits; cleaning supplies; services or management contracts with independent contractors; and the costs of any other items which, under generally accepted accounting principles consistently applies to the Premises. Operational Expenses shall not include any expense which is paid by a licensee, interest, amortization, or other payments on loans to Lessee, whether secured or unsecured; insurance costs; depreciation of the Premises and Grounds or other said improvements; ground rent; leasing commissions; salaries, wages or other compensation paid to officers or executives of Lessor; or income, excess profits or other such taxes imposed on the income of the Lessee from the operation of the Project. All personal property purchased or the value thereof, shall remain on the Premises and become the personal property of the Lessor upon the termination or expiration of this Lease.

(v) Any payment due under the Lease not received by the Lessor within fifteen (15) days of the due date shall be subject to a late payment penalty of five percent (5%) of the amount due.

B. **Grounds License Income:** Lessee shall pay to the Lessor without demand and by the first day of the following month after any income is received by the Lessee for Allowed Uses of the Grounds licensed under this Agreement ("**Grounds License Income**"), the following: 100% of the Grounds License Income.

C. **Sole Financial Responsibility.** In consideration for Lessee's use of the Premises and Grounds as granted by this Lease, Lessee assumes sole financial responsibility for the operation and maintenance of the Premises and shall operate and maintain the Premises at no cost to the Lessor, unless as otherwise provided for herein.

## 7. RECORDS, ACCOUNTS, AUDITS

A. **Monthly Report.** When Lessee remits the monthly Rent to the Lessor, Lessee shall, without demand, provide to

the Lessor a monthly and "to-date" report that shall include all of the following items:

- (i) Amount due from each licensee per building and real and personal property licensed;
- (ii) Amount paid by each licensee to Lessee;
- (iii) Amount of Grounds License Income paid by Lessee to Lessor;
- (iv) Operational Expenses with supporting documentation including without limitation, invoices, and prior written Lessor approval, as applicable herein; and
- (v) Amount of Net Base Rent paid by Lessee to Lessor.

B. Lease Summary Report. At the termination or expiration of this Lease, Lessee shall submit, without demand, a written summary report "Lease Summary Report" pertaining to Premises, Temporarily Reduced Premises, Net Base Rent, Base Rent/Revised Base Rent, Grounds License Income and Operational Costs for Term.

C. Separate Account. All Grounds License Income must be deposited and maintained in a separate account and shall not be co-mingled with any other funds.

D. Records Inspection and Audit. The Lessee shall maintain, throughout the Term of this Lease and for a period of six years thereafter, all records pertaining to this Lease and Licenses, including but not limited to all amounts received and paid, invoices, receipts and financial accounts. These records shall be subject to inspection upon request by the Lessor. The Lessor shall be entitled to cause independent certified public accountants to conduct an audit of the books and records maintained pursuant to this Lease. The right to conduct an audit includes the right to make tests of the Lessee's accounting records and such other auditing procedure that are appropriate under the circumstances. The audit may be conducted after reasonable notice during regular business hours.

## **8. UTILITIES & SERVICES**

Beginning on the Effective Date and until the termination of this Lease, the responsibility and costs for providing utilities and services to the Premises and Grounds shall be the responsibility of the Parties as specified below:

A. Responsibility of Lessor. All natural gas, electricity, domestic water, and sanitary sewer service shall be provided to the Premises by Lessor. Any water usage that exceeds regular and reasonable usage requires prior written approval from the Lessor and may be subject to additional fees. Lessor shall not be liable for failure or interruptions resulting from any cause including, but not limited to, generator failure, failure or breakdown of public utility services and equipment, acts of God, force majeure, or from good faith acts or decisions of the Lessor, but excluding the willful or intentional misconduct or gross negligence of Lessor.

B. Responsibility of Lessee. All telephone, cable, or satellite television, wired or wireless internet, solid waste collection services, and cleaning services shall be performed or coordinated and paid for by Lessee. Any utilities or services not specified herein shall be the responsibility of the Lessee. Any and all labor, material and utility service rate increases incurred by the Lessor for services provided to Lessee or its licensees during the term of this Lease shall be paid by Lessee. The Lessor shall notify Lessee of all rate increases before commencing such services to Lessee.

## **9. TAXES**

Lessee shall pay all taxes levied and assessed, if any, upon any personal property, buildings, fixtures, and improvements belonging to Lessee and located upon the demised premises, and all leasehold and possessory interest taxes levied or assessed by any proper taxing authority.

## **10. ASSIGNMENT OR TRANSFER; NO SUBLEASING**

Lessee shall not assign or otherwise transfer this Lease, without the prior written approval of the Lessor. Lessee shall not sublease the Premises. Any actions taken by Lessee in violation of this Section 10 may be subject to the immediate termination of this Lease.

## **11. INSURANCE**

Lessee shall at all times maintain and provide adequate insurance coverage which includes, without limitation, each



of the following:

A. Property Insurance. Lessee may at Lessee's sole discretion carry and maintain during the term of this Lease special form ("all risks") property insurance for all improvements to the Premises in an amount sufficient for the full replacement cost of existing structures and improvements if lost or damaged by all perils covered under such special form property insurance. The City of Santa Fe shall be named as Loss Payee on such policy of insurance.

B. Commercial General Liability Insurance. Lessee shall carry and maintain in full force and effect during the term of this Lease, Commercial General Liability insurance, which shall be written on an occurrence based form, covering bodily injury (including death), personal and advertising injury, and property damage, in a form and with an insurance company acceptable to Lessor, with limits of coverage not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. Said policy shall include broad form contractual liability coverage and shall be endorsed to name the City of Santa Fe, its officials, employees, and agents as additional insureds. Any excess or umbrella liability insurance maintained by Lessee shall also be endorsed to name the City of Santa Fe, its officials, employees and agents as additional insureds.

C. Workman's Compensation Insurance. Lessee shall carry and maintain in full force and effect during the Term of this Lease, workers' compensation insurance at statutory limits for its employees working at the Premises, and Employer's Liability coverage with limits of not less than \$1,000,000 per accident or disease. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City of Santa Fe.

D. Primary and Non-contributory. All insurance required to be maintained by Lessee under this Lease shall be primary and any insurance or self-insurance maintained by Lessor shall not be required to contribute with it.

E. Certificates of Insurance. Within ten (10) days of the Effective Date of this Lease, and thereafter at any time during the Term of this Lease that Lessor requests, Lessee shall provide Lessor with certificates of insurance for each policy evidencing that the coverage required hereunder is current. Such policy shall provide that the coverage evidenced thereby shall not be terminated or modified for any reason without thirty (30) days prior written notice to the Lessor. A certificate or policy which states that failure to give such notice imposes no obligation on the part of the insurer shall be unacceptable to Lessor, and Lessee shall be responsible for removing such language from such certificate or policy.

All policies of insurance shall be written by an insurer with an A. M. Best rating of not less than A- (Excellent), Financial Size Category VII, and must be authorized to do business within the State of New Mexico.

F. License Agreements. Lessee shall cause any and all License agreements, or other agreements related to use, occupation, or development of the Premises or Grounds, that Lessee enters into to contain language that requires the City of Santa Fe, its officials, employees and agents to be named as an additional insured on commercial general liability policies and loss payee on any property insurance policies as provided in this Section 11.

G. Waiver of Subrogation. Lessee hereby grants to the Lessor a waiver of any right to subrogation which any insurer of Lessee may acquire against the Lessor by virtue of the payment of any loss under such insurance. Lessee agrees to obtain any endorsements that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether the Lessor has received a waiver of subrogation endorsement from the insurer.

The Lessor shall have no obligation to allow access to the Premises or Grounds until and unless Lessee has provided to the Lessor the certificates of insurance required above.

## **12. INDEMNIFICATION**

Lessee shall indemnify, hold harmless and defend Lessor, its agents, officials, officers, and employees against all losses, damages, claims or judgments, including payment of all attorney's fees and costs, on account of any suit, judgment, execution, claim, action or demand whatsoever arising from Lessee's use, maintenance and occupancy of the Premises or Grounds hereunder, including use of the Premises or Grounds by Lessee's licensees, employees, agents, representatives, contractors, agents, guests, invitees or allowed assigns. Lessee shall cause any and all

agreements that Lessee enters into with any of the above parties to contain language indemnifying the Lessor as provided in this Section.

### **13. LAWS AND REGULATIONS**

A. Compliance with Laws. In connection with its use of and activities in and about the Premises and Grounds, Lessee, at its sole expense, shall comply, and shall cause its agents, employees, contractors, representatives, guests, invitees and licensees to comply, with all applicable laws, orders and regulations of federal, state, county or municipal authorities, and with any direction of any public officer pursuant to law which shall impose any violation, order, or duty upon the Lessor or the Lessee or its licensees with respect to any part of the Premises or Grounds used by Lessee hereunder and that arise out of Lessee's particular use of the Premises or Grounds.

B. Safety. Lessee guarantees that all facilities and equipment furnished by it will conform to, and Lessee agrees to comply with and to cause its licensees to comply with, all safety regulations set forth by OSHA, New Mexico OSHB, the EPA, and other environmental pollution and toxic waste control and protection agencies, and safety guidelines that may be issued by the Motion Picture Safety Committee, and all other federal, state, county, municipal and local rules and regulations. Any and all paints and other coloring materials, lacquers and other finishes, solvents and thinners, cleaning or detergent agents, or otherwise potentially harmful, hazardous or toxic materials, liquids, substances, and other contaminants must be removed from, or caused to be removed from, the Premises and Grounds by Lessee at Lessee's expense, after use of the same has been completed. During such use, such materials shall be kept in a safe and contained manner. The Lessor shall charge to Lessee, and Lessee covenants and agrees to pay, all costs caused by, relating to, or arising from the removal and/or disposal of any and all such materials or substances discharged by Lessee or its licensees or otherwise not removed from the Premises or Grounds by Lessee and any and all fines, assessments, and penalties that may be incurred or imposed upon the Lessor, Lessee, or licensees as a result of such malfeasance by Lessee.

### **14. EASEMENTS**

Lessor reserves the exclusive right to grant access, utility or other easements on or through the Premises. Lessor shall notify Lessee in writing prior to Lessor's grant of any easement through the Premises.

### **15. LESSOR ACCESS**

The Lessee shall allow the Lessor and/or its agents or assigns access to the Premises for periodic inspections, maintenance of rights-of-way, maintenance and operation of parking facilities or other Lessor facilities and/or public spaces, and for such other purposes as the Lessor may have, provided that nothing herein shall be deemed a requirement to allow the Lessor to occupy any part of the Premises leased to the Lessee, nor to interfere with the Lessee's quiet enjoyment of the Premises.

### **16. TERMINATION**

A. Termination by Lessor. Lessor may terminate this Lease with written notice to Lessee at least sixty (60) days prior to the termination date; or Lessor may terminate this Lease upon Lessee's failure to comply with any provisions contained herein. Prior to termination, Lessor shall hand-deliver or mail notice to Lessee via certified or registered mail specifying:

- (i) the breach;
- (ii) the action required to cure the breach;
- (iii) a date, not less than fifteen (15) days from the date the notice is hand delivered or mailed to Lessee, by which such breach must be cured; and
- (iv) that failure to cure such breach on or before the date specified in the notice will result in termination of the Lease.

B. Termination by Lessee. Lessee may terminate this Lease with written notice to Lessor at least sixty (60) days prior to the termination date.

### **17. SURRENDER OF PREMISES**

Lessee shall quit and surrender the demised Premises and all equipment and personal property contained on and in the demised Premises to Lessor at the end of the term of this Lease in the same condition as at the date of the

commencement of this Lease, ordinary use and wear excepted.

#### **18. NOTICE**

Any required notice will be deemed delivered, given and received (i) when personally hand delivered, or (ii) five days after the same are deposited in the United States mail, postage prepaid, registered, addressed to the applicable Party at the address indicated below for such Party, or at such other address as may be designated by either Party in a written notice to the other Party:

To Lessor:

City Manager  
City of Santa Fe  
PO Box 909  
200 Lincoln Ave.  
Santa Fe, NM 87504-0909

To Lessee:

Claudio Ruben, Principal  
Garson Studios Santa Fe LLC  
PO Box 32713  
Santa Fe, NM 87594

With a copy to:

City Attorney's Office  
City of Santa Fe  
PO Box 909  
200 Lincoln Ave.  
Santa Fe, NM 87504-0909

#### **19. NO WAIVER**

No waiver of a breach of any of the provisions contained in this Lease shall be construed to be a waiver of any succeeding breach of the same or any other provisions.

#### **20. SEVERABILITY**

In the event that one or more of the provisions contained in this Lease or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

#### **21. ENTIRE AGREEMENT**

This Lease constitutes the entire agreement between the Parties, represents their entire understanding, and defines all of their respective rights, title and interests as well as all of their duties, responsibilities and obligations. Any and all prior agreements and understandings between the Parties related to the Premises and Grounds, if any, are merged herein. This Lease shall not be modified or amended except by a written document signed by the Parties hereto.

#### **22. BINDING EFFECT**

This Lease shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and allowed assigns.

#### **23. LITIGATION EXPENSE**

In the event of litigation between the Parties, each Party shall be responsible for its own litigation expenses. In the event of litigation between Lessee and its licensees in which Lessor is named, Lessee shall pay any necessary costs, including reasonable attorney's fees, expenses and other costs of collection or otherwise, which Lessor shall incur in enforcing this Lease or in recovering any and all damages caused to the Premises or Grounds by Lessee, or Lessee's licensees, contractors, agents, employees or allowed assigns.

#### **24. APPLICABLE LAW; VENUE**

Lessee shall abide by all applicable federal and state laws and regulations, and all ordinances, rules and regulations of the City of Santa Fe. In any action, suit or legal dispute arising from this Lease, Lessee agrees that the laws of the State of New Mexico shall govern. The Parties agree that any action or suit arising from this Lease shall be commenced in a federal or state court of competent jurisdiction in New Mexico. Any action or suit commenced in

the courts of the State of New Mexico shall be brought in the First Judicial District Court of the State of New Mexico.

**25. FORCE MAJEURE**

Failure of the Lessor to comply with the terms and conditions hereof because of an Act of God; force majeure; labor troubles; war; fire; riot; earthquake; act of public enemies; action of governmental authorities (federal, state or local); unavailability of power, transportation, stages, production facilities or materials; or for any other reason beyond the reasonable control of the Lessor, shall not be deemed a breach of this Lease, and the Lessor shall not be liable to Lessee for any consequential damages. Except for the obligations to pay rent, license fees and additional charges, the provisions of this Paragraph shall apply equally and reciprocally to Lessee.

**26. HEADINGS**

The section headings contained in this Lease are for reference purposes only and shall not affect the meaning or interpretation of this Lease.

**27. AMENDMENT**

This Lease shall not be altered, changed or modified except by an amendment in writing executed by the Parties hereto.

**28. RECORDING - SHORT FORM MEMO**

This Lease shall not be recorded in its entirety. If desired by either party, both parties shall execute in recordable form a short form memorandum of this Lease which may be placed of record.

**29. REPRESENTATION ON AUTHORITY OF SIGNATORY**

The signatory for the Lessee represents and warrants that he or she is duly authorized and has the legal capacity to execute and deliver this Lease. The Lease represents and warrants that the execution and delivery of the Lease and the performance of the Lessee's obligations hereunder have been duly authorized and that the Lease is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

**30. ATTACHMENTS**

All exhibits are fully incorporated herein and made a part of this Lease.

**31. COUNTERPARTS**

This Lease may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

**32. LESSOR APPROVAL**

Any Lessor approval required herein shall be done by the City Manager or his or her designate.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

[REMAINDER OF PAGE INTENTIONALLY BLANK]

May, 2019.

  
ALAN M. WEBBER, MAYOR

Sally Paetz  
SALLY PAETZ, ASSISTANT CITY ATTORNEY

*Mary McCoy*  
MARY MCCOY, FINANCE DIRECTOR

YOLANDA Y. MIGIL, CITY CLERK  
cc mtg. 5/8/2019

CLAUDIO RUBEN, PRINCIPAL

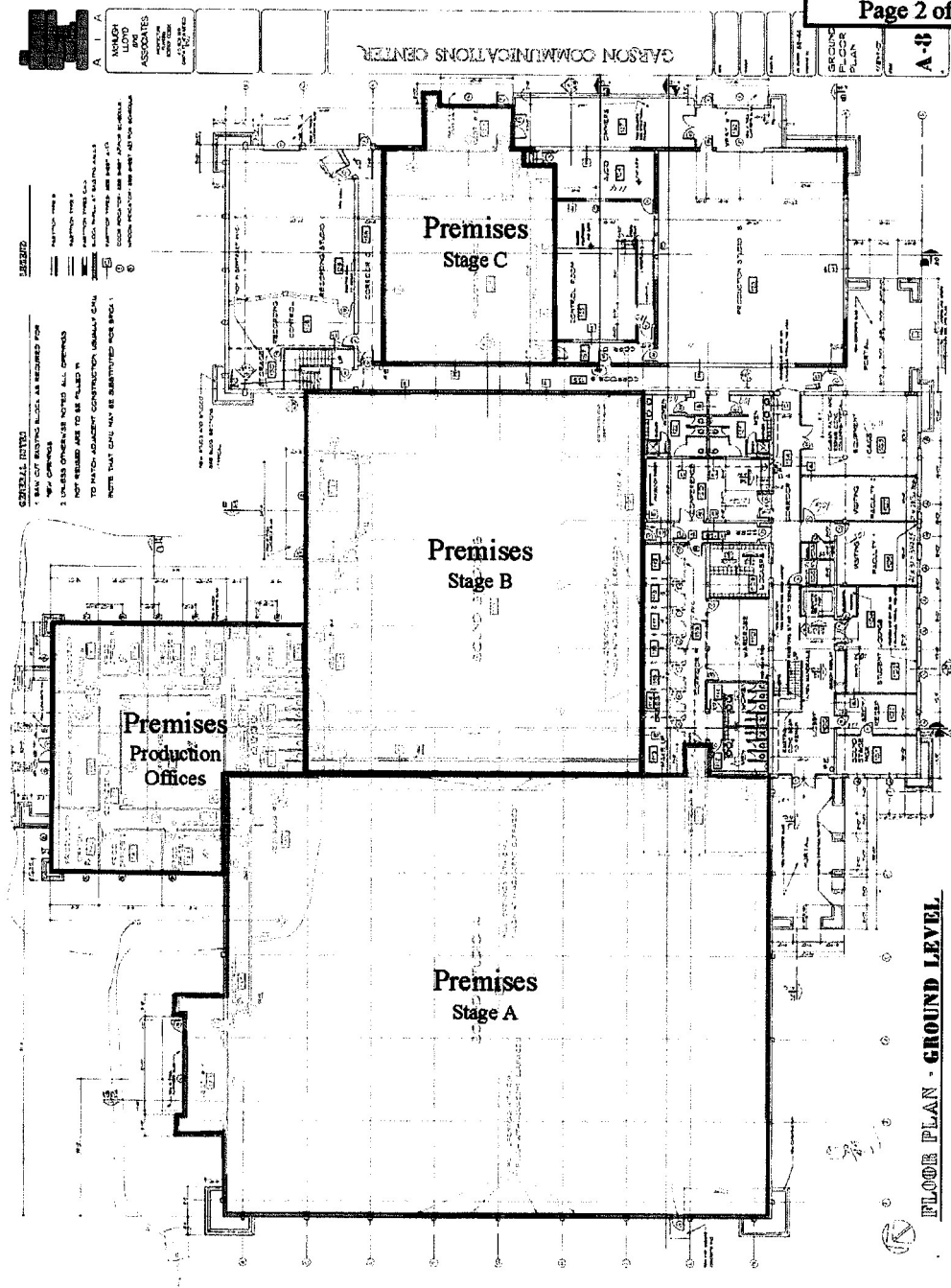
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Belbi Thurman  
NOTARY PUBLIC

Lease Page 12





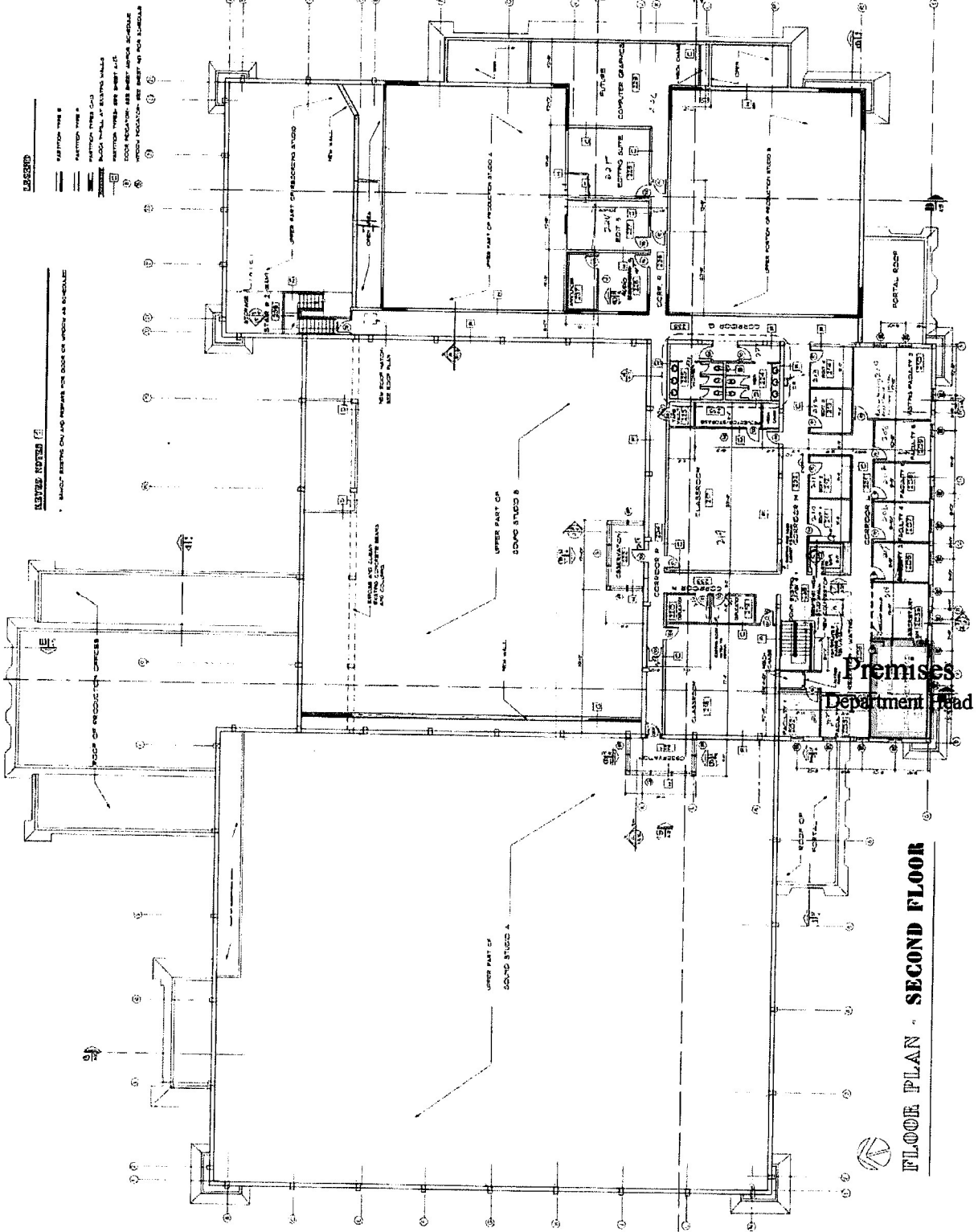




MANOJ  
LAND  
ASSOCIATES  
INC.  
1000  
NORTH  
WEST  
AVENUE  
SUITE 1000  
DENVER, CO 80202  
TEL: 303.733.1100  
FAX: 303.733.1101

CARSON COMMUNICATIONS CENTER

Exhibit A  
Page 3 of 3

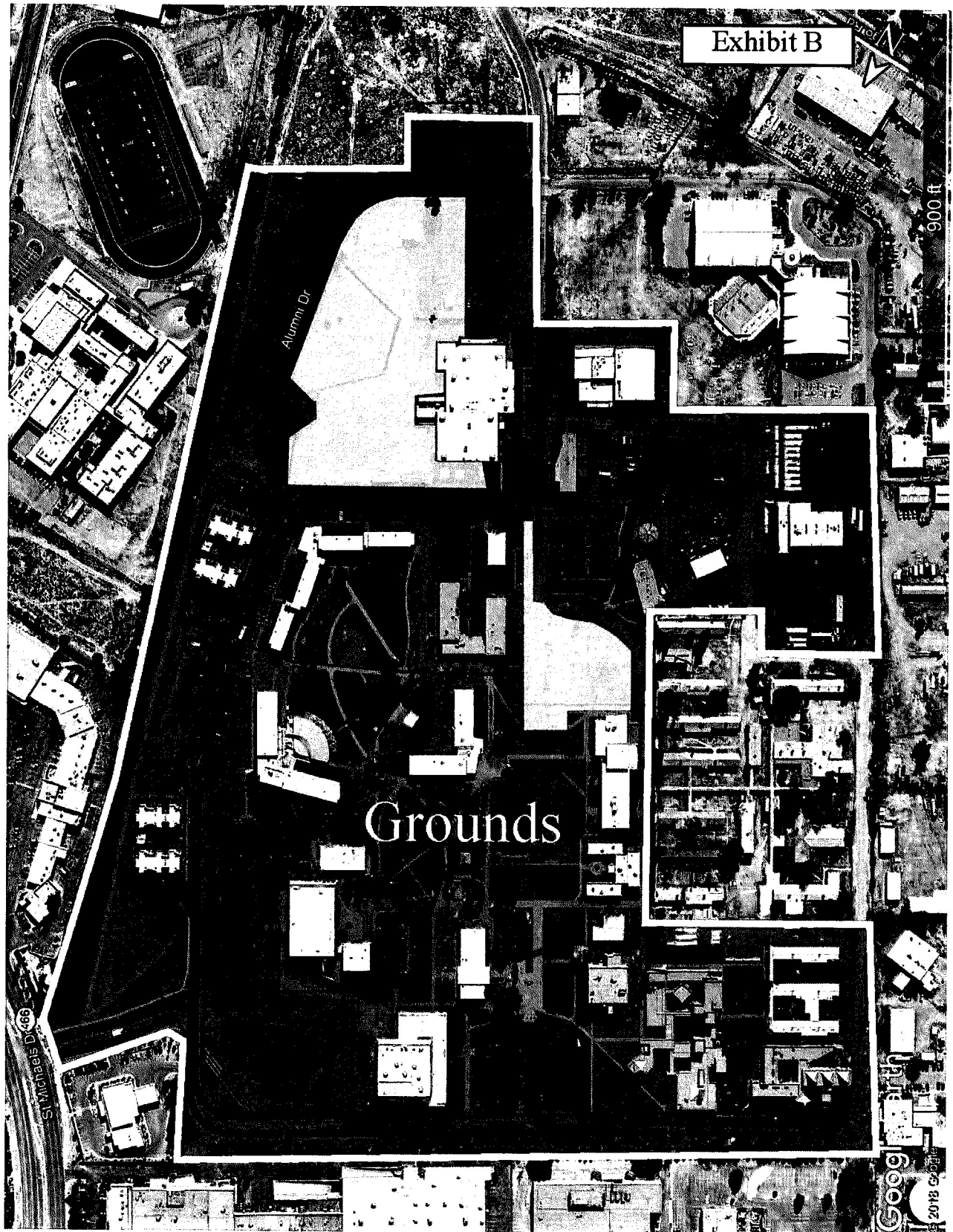


- LEGEND**
- PARTITION TYPE A
  - PARTITION TYPE B
  - PARTITION TYPE C
  - PARTITION TYPE D
  - PARTITION TYPE E
  - PARTITION TYPE F
  - PARTITION TYPE G
  - PARTITION TYPE H
  - PARTITION TYPE I
  - PARTITION TYPE J
  - PARTITION TYPE K
  - PARTITION TYPE L
  - PARTITION TYPE M
  - PARTITION TYPE N
  - PARTITION TYPE O
  - PARTITION TYPE P
  - PARTITION TYPE Q
  - PARTITION TYPE R
  - PARTITION TYPE S
  - PARTITION TYPE T
  - PARTITION TYPE U
  - PARTITION TYPE V
  - PARTITION TYPE W
  - PARTITION TYPE X
  - PARTITION TYPE Y
  - PARTITION TYPE Z

- LISTED NOTES**
1. BUILDING EXISTING ON AND IMPROVE THE BUILDING AS SHOWN ON SCHEDULE

Premises  
Department Road

FLOOR PLAN - SECOND FLOOR



**EXHIBIT C**  
**LICENSE AGREEMENT**  
**FOR FILM AND TELEVISION PRODUCTION AT**  
**1600 ST. MICHAEL'S DRIVE, SANTA FE, NM**

This LICENSE AGREEMENT ("**License**") is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between GARSON STUDIOS SANTA FE, LLC, a New Mexico limited liability company ("**Licensor**"), and \_\_\_\_\_ ("**Licensee**"), (collectively, the "**Parties**" and each individually a "**Party**").

WHEREAS: Licensor has a lease ("**Lease**") from the City of Santa Fe ("**Lessor**") for premises and grounds located at 1600 St. Michael's Drive, Santa Fe, New Mexico until \_\_\_\_\_, attached as Exhibit D; and

WHEREAS: Licensee is a film production company which wishes to license the use of some or all of the Licensor's premises and grounds for film production;

**WITNESSETH:**

In consideration of Licensee's promises herein, Licensor hereby gives Licensee an exclusive License, revocable and terminable as hereinafter provided, to enter on, use and occupy the Lessor-owned property leased to Licensor during the dates and times specified herein for activities associated with the production of a film or television series currently titled "\_\_\_\_\_

\_\_\_\_\_"(the "**Film**"), as provided herein.

All approvals by the Lessor required herein shall be done by the City Manager of the City of Santa Fe or his or her designee.

**1. LICENSE PREMISES AND GROUNDS**

Licensor allows Licensee to use and occupy specific portions of buildings and land at the Midtown campus (formerly the Santa Fe University of Art and Design) located at 1600 St. Michael's Drive, Santa Fe, New Mexico as specified in **Exhibit E** attached hereto and made a part hereof (the "**License Premises**"), and allows Licensee non-exclusive ingress and egress to the License Premises through Lessor-owned private property (the "**Grounds**") on Midtown campus as specified in **Exhibit F**. This License includes the right of Licensee to use certain items of Lessor-owned personal property located at the License Premises and Grounds subject to an additional fee and prior consent of the Lessor. Licensee must obtain approval in writing by Licensor before using Lessor personal property, with the exception of typical office furniture.

**2. TERM**

A. This License shall commence at \_\_\_\_\_ and shall continue for a period of \_\_\_\_\_ days, or until otherwise terminated as provided herein.

B. Upon thirty (30) days prior written notice to Licensor, Licensee may extend the Term and add additional months to the Term of this License, subject to Licensor having authority under a lease agreement with the Lessor to license such use. Licensee shall pay License Fees and Additional Charges for any additional days added to the Term as specified in **Exhibit G** and **Exhibit G-1** respectively.

**3. CONDITIONS OF USE**

Licensee's use and occupation of the License Premises shall at all times be in compliance with the provisions of this License including without limitation the following conditions of use:

A. **Allowed use.** Licensee is allowed to use and occupy the License Premises for filming, production office, parking, and storage uses related to the Film. No other use of the License Premises is allowed without the prior written consent of Licensor.

(i) Production of obscene material is expressly understood to be prohibited and not an Allowed use.

(ii) Failure of the Licensee to restrict the use of the License Premises as provided herein shall be deemed a substantial breach of this License and shall constitute grounds for immediate termination by Licensor.

B. **Hours of Use.** Licensee's use of the License Premises and Grounds is allowed twenty-four (24) hours per day, seven (7) days a week during the Term.



C. Utilities. Use of the Lessor-procured electric power service, natural gas, water service and sewer service is included in this License, but subject to charges. Electrical generators shall not be used except as back-up power sources. Telephone and internet services are the responsibility of the Licensee.

D. Alterations and Repairs. Licensee shall make no alterations to the License Premises without the Lessor's and Licensor's prior written approval. Licensee shall use reasonable efforts to preserve and protect the License Premises and Grounds and any Lessor-owned personal property supplied to Licensee by Licensor. If Licensee, its agents, employees, guests or invitees directly damage or lose any of Lessor's or Licensor's real or personal property, Licensee shall compensate the owner of such property for such damage or loss in the amount of the actual, reasonable fair market value cost of any such repair or replacement. Notwithstanding anything to the contrary in this License, the Licensee shall not be responsible for repairs required due to normal wear and tear of the License Premises and Grounds and the maintenance of floors, walls, windows, ceilings, roof systems, and electrical, plumbing, and heating and air-conditioning systems.

E. Weight Loads. Licensee shall not allow any vehicles or heavy equipment in the licensed stages on the License Premises, without the prior written authorization of Licensor.

F. Security Guards and Fire Protection Personnel. Licensee shall bear the full cost of any security guards and/or fire protection personnel which Licensor or Licensee may reasonably deem necessary for the protection of their respective property and the License Premises.

G. Fires, Firearms, Explosives, and Hazardous Wastes. Licensee shall not conduct any dangerous or illegal activities at the License Premises and Grounds or keep any toxic, hazardous, dangerous or offensive materials, substances or articles in or about the License Premises or Grounds which will in any way impair or invalidate, or increase the premium costs of insurance policies carried by Licensor.

Licensee shall not light fires or discharge firearms, smoke effects, or explosives on or about the License Premises and Grounds without the prior written consent of Licensor, and only after having first obtained all necessary permits from any and all appropriate governmental authorities. Licensee shall in all cases employ a licensed operator to discharge firearms or explosives, and Licensor reserves the right to request proof from Licensee that said employees are licensed and registered to conduct such activities. Licensee shall secure, at the end of each production day, all firearms and explosives brought on the License Premises and Grounds by Licensee.

Licensee hereby specifically indemnifies and agrees to hold Licensor, the Lessor and the Lessor's employees, officers, managers, agents and assignees harmless from and against any and all liability, causes of action, damages, costs or expenses, including without limitation reasonable outside attorney's fees, directly arising out of or in any way connected with the use or possession by Licensee of firearms, fires, smoke effects, noxious gases and explosives at the License Premises and Grounds.

Licensee shall have the sole responsibility for the daily removal and legally proper disposal of all hazardous wastes from the License Premises. Licensee shall not spray or otherwise utilize any toxic or hazardous material inside the License Premises or Grounds without prior written consent from Licensor. Any such approved use of toxic or hazardous material shall comply with all applicable legal requirements. Under no circumstance shall Licensee alter in any way, or use for any production purpose, any fire hose, sprinkler system or equipment supplying water to the hoses or sprinkler system.

H. Security. Licensor reserves the right, in its reasonable but sole discretion, to refuse admittance to the License Premises and Grounds to any employee or other person associated with Licensee who behaves in a negligent or dangerous manner that could result in harm to the License Premises and Grounds, other City buildings, or people.

I. Screen Credit. Licensee shall use good faith efforts to include "The City of Santa Fe, New Mexico" and "Garson Studios" in the credits at the end of the Film.

J. Photographic Rights. Licensor hereby acknowledges that neither Licensor, nor any other party has any interest in Licensee's still photography, film or other recording on or of the License Premises, nor any right of action against Licensee or any other party arising out of any use of said photography. Licensor hereby grants to Licensee, its successors, licensees and assigns the irrevocable and perpetual right, worldwide, in any manner and in any and all media to use and exploit the films, photographs, and recordings made of or on the License Premises in connection with the Film in such manner and to such extent as Licensee desires in its sole discretion. Licensee and its licensees, assigns and successors shall be the sole and exclusive owner of all rights of whatever nature, including all copyrights, in and to all films, photographs and recordings made on or of the License Premises, in perpetuity, throughout the universe. As between Licensor and Licensee, Licensee shall be the sole and exclusive owner,

throughout the universe in perpetuity, of all rights of whatever nature, including without limitation all copyrights, in all films, photographs and recordings made of or on the License Premises in connection with the Film and including, without limitation, the exclusive right to assign and/or license Licensee's rights without restriction or impairment of any kind.

In the event of a breach of this License by Licensee, Licensors shall not have the right to enjoin or otherwise restrain the production, marketing, or exploitation of the Film.

K. Confidentiality. Licensors shall not use any name, logo, Film title, trademark or other proprietary mark of Licensee or of its licensees or assigns in any manner. Licensors agree to not officially publicize, advertise or promote the appearance of the License Premises in the Film, without the prior written consent of Licensee. Licensors' confidentiality obligations hereunder shall apply to any and all media, including, without limitation, any social networking site; microblogging service; user-generated or user-uploaded content website; online forum, discussion thread or comment section; personal website or blog; user modified website; or any other website, service, platform, application or other form or method of communication, whether now known or hereafter devised (e.g., Facebook and Twitter). Licensee acknowledges that the owner and lessor of the License Premises and Grounds is the City of Santa Fe, a municipal corporation and political subdivision of the State of New Mexico and, as such, is required to comply with the State of New Mexico Inspection of Public Records Act (IPRA) and, to the extent that City possesses written or electronic information about the Film, that City may be required by law to release that information pursuant to an IPRA information request.

L. Failure. Failure of Licensee to comply with conditions of use of the License Premises and Grounds as provided herein shall be deemed a breach of this License and shall constitute grounds for termination of this License by the Licensors pursuant to Section 7 of this License.

M. Stage Manager. The Licensee shall be solely responsible to contract with and assume all costs for a Stage Manager approved in advance in writing by the Licensors. The Stage Manager shall comply with all legal, regulatory and contractual requirements for use of the License Premises and Grounds and shall seek and obtain prior written approval by the Lessor and the Licensors for the Licensee to use certain personal property in the production of the Film. The Stage Manager shall regulate Licensees' ingress and egress to the License Premises over the Grounds.

N. Condition of License Premises upon Surrender. Upon expiration or termination of this License, Licensee shall, at its expense, cause the striking and removal of all sets, materials and equipment placed upon the License Premises by Licensee, and shall clean such premises, steam clean office carpet, and remove all residue and articles of rubbish so as to leave the License Premises in substantially the same condition as when Licensee took possession thereof, reasonable wear and tear excepted. In the event Licensee lays materials on or paints any portion of the stage floor, wall, or cyclorama, or makes any alterations as described herein with Licensors' approval, Licensee shall either restore or compensate Licensors for restoration of that portion of the premises. Further, to the extent deemed necessary by Licensors due to the condition of the premises, the cost of a professional cleaning service will be charged to the Licensee's security deposit, provided that Licensors shall provide Licensee with three (3) days prior written notice via email and an opportunity to clean the License Premises prior to Licensors charging for such cleaning.

Should Licensee use the rigging points in the ceilings of either Stage A or B to build a grid system, once the grid is removed during wrap, Licensee will, at its own expense, test all the rigging points it used to make sure they are safe and in good condition for future use. Licensee is required to provide the Licensors and Stage Manager with written confirmation of the dates on which the rigging points were checked and by whom.

Pursuant to its obligation under the License, Licensee specifically agrees to repaint the stage floors of any stage it uses (Garson Studios Stage A, Stage B and/or Stage C) in a reasonable and professional manner under the direction of the Stage Manager as follows: Dunn-Edwards Rustoleum matte water-based urethane, "Walrus" color; for Stage A, minimum 25 gallons; for Stage B, minimum 12 gallons; for Stage C, minimum 7 gallons. Amounts may be doubled if a second coat is required at the discretion of the Licensors or Stage Manager. For the Green Screen, the use of Mann Brothers paint (or equivalent), is required, in the color, Digital Green – Vara Bond, Acrylic Latex Flat. Fire safety lanes on each stage shall be sectioned off with caution tape. Any caution tape which is torn and damaged during production shall immediately be replaced.

O. Failure to Comply. Failure of Licensee to comply with conditions of use of the License Premises and Grounds as provided herein shall be deemed a material breach of this License.

No Rights Beyond Lease. Licensors shall in no event extend the rights of the Licensee beyond those held by

Licensors under the terms of Licensors's lease agreement with the Lessor.

#### **4. CHARGES**

A. License Fees. Licensee shall pay Licensors the fees specified in **Exhibit G**, attached hereto and made a part hereof (the "**License Fees**"). License Fees do not incorporate New Mexico Gross Receipts Taxes.

B. Additional Charges.

(i) Additional Stages, Equipment Lot Services and Facilities. If at any time during the Term hereof Licensee shall require any stages, lot service, equipment or facilities of the License Premises or Grounds in addition to those expressly referred to in this License, Licensors agrees to furnish the same, subject to the reasonable availability thereof, but Licensee shall have no right to use any additional stages, equipment, lot services or facilities without the payment of additional fees and/or charges thereof. The Licensee shall pay the rates for all stages, lot services, equipment and facilities not expressly referred to in this License and will be charged in accordance with the then-current studio rate schedule. The terms and conditions of this License shall apply to any additional stages, equipment, lot services and facilities furnished by Licensors at Licensee's request.

(ii) Utilities. Utility services including water, gas, and electricity required by Licensee in connection with this License shall be furnished as available and charged to the Licensee as per **Exhibit C-1** (stage and mill power); any water usage that exceeds regular and reasonable use may entail additional fees and requires approval from Licensors; however, neither the Licensors nor the Lessor shall be liable for failure or interruptions resulting from any cause including, but not limited to, generator failure, failure or breakdown of public utility services and equipment, acts of God, force majeure, or from good faith acts or decisions of the Licensors or the Lessor, but excluding the willful or intentional misconduct or gross negligence of Licensors or the Lessor.

(iii) Rate Increases. Any and all labor, material and service rate increases incurred by Licensors for services provided to Licensee during the term of this Agreement shall be paid by Licensee. Licensors shall notify of all rate increases before commencing such services to Licensee.

(iv) Other. All incidentals and additional costs as outlined in **Exhibit G-1**.

Licensors shall have no obligation to allow access to the License Premises or Grounds until and unless Licensee has paid to Licensors all amounts due upon execution of this License and has provided to Licensors the certificates of insurance required below. The License is granted in consideration for the sums specified in **Exhibit G** and payment of applicable additional costs in **Exhibit G-1**.

C. Payee. Licensee shall remit License Fees and Additional Charges on the dates specified in **Exhibit G**, payable to Garson Studios Santa Fe, LLC. Licensee shall remit all License Fees along with applicable New Mexico Gross Receipts Tax to:

Attn: Claudio Ruben, Principal  
Garson Studios Santa Fe, LLC  
P.O. Box 32173  
Santa Fe, NM 87594

#### **5. SECURITY DEPOSIT**

Upon execution of this License, Licensee shall pay to and payable to the Licensors, a security deposit in the amount stated on **Exhibit G** attached hereto, which deposit shall bear no interest. Should Licensee request additional facilities or equipment from the Licensors, the Licensors may require an increase in the amount of the security deposit before such additional facilities or equipment will be provided. Licensors may use from Licensee's security deposit such amounts as are reasonably necessary to remedy Licensee's default in the payment of the License Fee and other charges, or any additional charges, to repair verifiable damages, or to clean the License Premises upon their surrender, restoring them to their condition upon delivery, except (i) reasonable wear and tear and (ii) force majeure events described below, caused by Licensee, its agents, employees or invitees. If used towards unpaid License Fee, rental charges, additional charges or damages, Licensee agrees to reinstate said total security deposit upon receipt of twenty-four (24) hours written notice from the Licensors. The balance of security deposit, if any, will be returned to Licensee upon Licensee's full payment of all monetary amounts due hereunder and within thirty (30) business days of Licensee vacating the License Premises, provided such amounts have been paid; provided, however, that such period may be extended for the period of time necessary to resolve bona fide issues related to the settling of Licensee's account. Licensors will promptly inform Licensee in writing of the nature of such issues, and the security deposit shall be returned promptly following the resolution of such issues, if any.

**6. PAYMENTS.**

The License Fee shall be paid by Licensee according to the terms in Exhibit G. Licensors will submit invoices to Licensee. These invoices will include without limitation any Additional Charges and New Mexico Gross Receipts Tax, and are due and payable within fifteen (15) days after the date of the invoice. All challenges or protests with regard to the accuracy or legitimacy of any and all charges must be received by Licensors in writing within ten (10) days from the date Licensors give notice of such charges. All protests and challenges not received within ten (10) day period shall be deemed to be waived, and Licensee shall be deemed to have approved the legitimacy and accuracy of said charges. A late charge of one percent (1%) per month shall accrue on all amounts not paid within the fifteen (15) day period.

**7. TERMINATION**

A. Termination by Licensors. This license is revocable at will by Licensors, and Licensee agrees in that event to: (a) peaceably and promptly surrender the License Premises on the termination date specified in the written notice, (b) remove all Licensee's personal property from the License Premises and Grounds, and (c) restore the License Premises to its original state at the time of Licensee's entry thereon.

B. Termination by Licensee. Licensee may terminate this License at any time upon sixty (60) days written notice to Licensors.

C. Termination or Expiration of Lease. Upon termination or expiration of the underlying lease between the Lessor and Licensors, the Licensee shall attorn to the Lessor as licensor.

D. No Other Refunds. Upon termination of this License by either Party, there shall be no refund of the License Fees or any portions thereof.

**8. NO INTEREST CREATED**

Licensee acknowledges that no interest or estate of any kind whatsoever in the License Premises and Grounds is conveyed by this License or by occupancy or use of the Licensed Premises and Grounds pursuant to the License. This License shall not be assigned or sub-licensed by Licensee. Notwithstanding the provisions of this Section, Licensee shall have the unrestricted right to assign any or all rights in and to the Film.

**9. INSURANCE, INDEMNIFICATION & WAIVER OF SUBROGATION**

A. Insurance. Licensee, and each of Licensee's contractors and subcontractors who physically access the License Premises, shall, at their sole cost and expense, procure and continue to maintain in force during the Term of this License the minimum insurance coverage with limits indicated below:

- (i) Workers' Compensation Insurance (at statutory limits); and
- (ii) Employer's Liability Insurance with minimum limits of not less than One Million Dollars and No Cents (\$1,000,000.00) per accident or disease; and
- (iii) Commercial General Liability Insurance for claims against bodily injury (including death), personal and advertising injury, and property damage (including completed operations and contractual liability), on an occurrence basis in an amount not less than Two Million Dollars and No Cents (\$2,000,000.00) combined single limit and \$4,000,000 in the aggregate; and
- (iv) "All-risk" property insurance insuring the License Premises and its appurtenant personal property including all equipment owned by the City of Santa Fe and made available to Licensee in the course of Film production, at full replacement costs. City of Santa Fe and Garson Studios Santa Fe, LLC shall be added as a loss payee on the "all-risk" policy.

All policies shall be written by an insurer with an A. M. Best rating of not less than A- (Excellent), Financial Size Category VII, and must be authorized to do business within the State of New Mexico. The general liability insurance coverage shall be endorsed to name Garson Studios Santa Fe, LLC, the City of Santa Fe, the City's agents, employees, volunteers, officers, and elected and appointed officials (collectively the "City's Releasees") as additional insureds. Licensee shall provide written documentation of all required insurance coverages upon execution of this License and otherwise within ten (10) days of the City's written request for such documentation. All policies shall provide that Garson Studios Santa Fe, LLC and the City of Santa Fe shall be given no less than thirty (30) days prior written notice of any cancellation except as a result of non-payment, for which not less than ten (10) days prior written notice shall be given.

No self-insurance shall be allowed at any time without the prior written consent of the Licensor, which may be withheld for any or no reason.

B. Indemnification. Licensee agrees to indemnify, defend and hold Licensor, the City of Santa Fe, and the City's Releasees harmless from and against any third-party claim of injury, loss, damage or liability costs or expenses (including without limitation reasonable outside attorneys' fees and court costs) to the extent arising out of Licensee's breach of this License. Circumstances under which the City will not be held liable include, but are not limited to:

(i) any work or act done in, on or about the License Premises, or any part thereof at the direction of Licensee, its agents, contractors, subcontractors, servants, employees, licensees or invitees on behalf of Licensee; and

(ii) any negligence or other willful misconduct on the part of Licensee or any of its agents, contractors, subcontractors, servants, employees, or invitees; and

(iii) any accident, injury or damage directly caused by or attributable to Licensee or its agents, contractors, subcontractors, servants, employees, or invitees to any person or property occurring at the License Premises and Grounds or any part thereof, except to the extent caused by the negligence or willful misconduct of the City, its employees, agents, volunteers, officers or officials; and

(iv) any failure on the part of Licensee to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this License on its part to be performed or complied with; and

(v) Any failure of Licensee to comply with applicable local, state or federal laws.

C. Waiver of Subrogation.

(i) Mutual Waiver. Licensee and Licensor hereby grant to each other a mutual waiver of any right to subrogation which any insurer of one Party may acquire against the other Party by virtue of the payment of any loss under such insurance. Licensee and Licensor agree to obtain any endorsements that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether a Party has received a waiver of subrogation endorsement from the insurer.

(ii) Waiver to City. Licensee hereby grants to the City a waiver of any right to subrogation which any insurer of Licensee may acquire against the City by virtue of the payment of any loss under such insurance. Licensee agrees to obtain any endorsements that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether the City has received a waiver of subrogation endorsement from the insurer.

## 10. NOTICE

All notices and demands in regards to this License must be given by first-class certified or registered mail, return receipt requested, postage prepaid, or by a nationally recognized overnight courier, courier fee prepaid. All such properly sent notices and demands shall be effective when received, rejected or refused by the recipient. Notices will be addressed to the Parties as follows:

LLC      To Licensor:

P.O. Box 32173  
Santa Fe, NM 87594  
Attn: Claudio Ruben

To Licensee: Garson Studios Santa Fe,

With a copy to the Lessor:

City of Santa Fe  
PO Box 909  
200 Lincoln Avenue  
Santa Fe, New Mexico 87504  
Attn: City Manager



Either Party may change its notice addresses in this Section upon three (3) days written notice to the other Party. Any copy of a notice or demand to a Party's legal counsel does not constitute legal notice to that Party.

**11. NEW MEXICO TORT CLAIMS ACT**

Any liability incurred by the City of Santa Fe in connection with this License is subject to the immunities and limitations of the New Mexico Tort Claims Act, Section 41-4-1, *et seq.* NMSA 1978, as amended. The City and its "public employees" as defined in the New Mexico Tort Claims Act, do not waive sovereign immunity, do not waive any defense, and do not waive any limitation of liability pursuant to law. No provision of this License modifies or waives any provision of the New Mexico Tort Claims Act.

**12. NO REPRESENTATIONS REGARDING TAX CREDITS**

The Licensee expressly understands and agrees that Licensor and the Lessor make no warranty, covenant, or any other representation that this License will result in or entitle the Licensee to any tax credit, including but not limited to Film Production Tax Credits.

**13. LESSOR AS THIRD-PARTY BENEFICIARY**

By entering into this License, the Parties intend to create for the Lessor the right, title, and interest in this License for the benefit of the Lessor. No other person shall claim any right, title, or interest under this License or seek to enforce this License as a third-party beneficiary of this License.

**14. LAWS AND REGULATIONS**

A. Municipal Code. Licensee's use of the License Premises and Grounds shall at all times be in compliance with the City's Municipal Code, including but not limited to §10-2 SFCC 1987, the City's Noise Ordinance.

B. Compliance with Laws. In connection with its use of and activities in and about the License Premises and Grounds and the Lessor property, Licensee, at its sole expense, shall comply, and shall cause its agents, employees, contractors, representatives, guests and invitees to comply, with all applicable laws, orders and regulations of federal, state, county or municipal authorities, and with any direction of any public officer pursuant to law which shall impose any violation, order, or duty upon the Licensor or Licensee with respect to any part of the Lessor premises used by Licensee hereunder and that arise out of Licensee's particular use of the License Premises and Grounds.

C. Safety. Licensee guarantees that all facilities and equipment furnished by it will conform to, and Licensee agrees to comply with, all safety regulations set forth by OSHA, New Mexico OSHB, the EPA, and other environmental pollution and toxic waste control and protection agencies, and safety guidelines that may be issued by the Motion Picture Safety Committee, and all other federal, state, county, municipal and local rules and regulations. Any and all paints and other coloring materials, lacquers and other finishes, solvents and thinners, cleaning or detergent agents, or otherwise potentially harmful, hazardous or toxic materials, liquids, substances, and other contaminants must be removed from the License Premises and Grounds by Licensee at Licensee's expense after use of the same has been completed. During such use, such materials shall be kept in a safe and contained manner. Licensor shall charge to Licensee, and Licensee covenants and agrees to pay, all costs caused by, relating to, or arising from the removal and/or disposal of any and all such materials or substances discharged by Licensee or otherwise not removed from the License Premises by Licensee and any and all fines, assessments, and penalties that may be incurred or imposed upon Licensor, the Lessor, or Licensee as a result of such malfeasance by Licensee.

**15. HEADINGS, INTERPRETATION**

The section headings contained in this License are for reference purposes only and shall not affect the meaning or interpretation of this License.

**16. ENTIRE AGREEMENT**

This License incorporates all the agreements and understandings between the parties hereto concerning the services to be performed hereunder, and all such agreements and understandings have been merged into this License. This License expresses the entire agreement and understanding between the parties with respect to said license. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this License.

**17. APPLICABLE LAW; CHOICE OF LAW; VENUE**

Licensee shall abide by all applicable federal and state laws and regulations, and all ordinances, rules and regulations of the City of Santa Fe. In any action, suit or legal dispute arising from this License, the Licensee agrees that the laws of the State of New Mexico shall govern. The parties agree that any action or suit arising from this Agreement shall be commenced in a federal or state court of competent jurisdiction in New Mexico. Any action or suit commenced in the courts of the State of New Mexico shall be brought in the First Judicial District Court of the State of New Mexico.

**18. FORCE MAJEURE**

Failure of Licensor or Lessor to comply with the terms and conditions hereof because of an Act of God, force majeure, labor troubles, war, fire, riot, earthquake, act of public enemies, action of governmental authorities (federal, state or local), unavailability of power, transportation, stages, production facilities or materials, or for any other reason beyond the reasonable control of Licensor or Lessor, shall not be deemed a breach of this License, and neither Licensor nor Lessor shall be liable to Licensee for any consequential damages. Except for the obligations to pay license fees and additional charges, the provisions of this Paragraph shall apply equally and reciprocally to Licensee.

**19. REPRESENTATION ON AUTHORITY OF SIGNATORY**

The signatory for the Licensee represents and warrants that he or she is duly authorized and has the legal capacity to execute and deliver this License. The Licensee represents and warrants that the execution and delivery of the License and the performance of the Licensee's obligations hereunder have been duly authorized and that the License is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

**20. ATTACHMENTS**

All exhibits are fully incorporated herein and made a part of this License.

**21. COUNTERPARTS**

This License may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

**LICENSOR:**  
GARSON STUDIOS SANTA FE, LLC

**LICENSEE:**

\_\_\_\_\_  
CLAUDIO RUBEN, PRINCIPAL

\_\_\_\_\_  
AUTHORIZED OFFICER



**CITY OF SANTA FE  
AMENDMENT # 1 TO  
THE LEASE AGREEMENT BETWEEN THE CITY OF SANTA FE AND GARSON STUDIOS  
SANTA FE LLC, A NEW MEXICO LIMITED LIABILITY COMPANY**

This Amendment No. 1 (the "Amendment") is an amendment to the City of Santa Fe Lease Agreement ("Lease"), Item # 19-0341, dated May 9, 2019, between the CITY OF SANTA FE, New Mexico ("City", "Lessor") and GARSON STUDIOS SANTA FE LLC, a New Mexico limited liability company ("GSSF", Lessee) (collectively the "Parties") shall be effective on \_\_\_\_\_, 2020.

**RECITALS:**

- A. The Lessor and Lessee are parties to the Lease under which the Lessee leases Lessor-owned real property, referred to as the Midtown campus (hereinafter "**Midtown Campus**"), and generally located at 1600 St. Michaels Drive in the City of Santa Fe, NM. The Premises delineated in Section 1(A) and Exhibit A of the Lease are located within the Midtown Campus. The Lease and this Amendment No. 1 to the Lease are to facilitate the continued commercial use of the Premises for film, television, and media production.
- B. By virtue of the holdover period currently in effect under Section 3(B) of the Lease, the original Term set forth in Section 3(A) of the Lease has previously been extended through November 8, 2020.
- C. The Parties to the Lease understand that the Premises and Grounds on the Midtown Campus are the subject of a Request for Expressions of Interest ("**RFEI**") for redevelopment and will be disposed of and developed over the course of the next several years. The development program at the Midtown Campus includes the ongoing operations and expansion of the film and multi-media production uses, as well as film production school and training.
- D. The parties wish to solely modify Sections 1, 3, 4, 5, 6, 10, and 16 of the Agreement and to keep all remaining Sections of the Agreement intact.

**WITNESSETH:**

In consideration of Lessee's promises herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree that the Lease be amended as follows.

**AMENDMENT:**

**1. Amendments to Section 1, "Premises Granted," of the Lease.**

- A. Section 1(A) description of the "Premises" that are the subject of the Lease shall be amended to include the Lessor-owned real property at 1600 St. Michael's Drive, Santa Fe, New Mexico, including Lessor's personal property within it, as described in "**Exhibit 1**" to this Amendment.

B. Section 1(C), "Non-Exclusive Ingress and Egress across Grounds," of the Lease is hereby amended to add the following conclusory sentence at the end of the paragraph:

Notwithstanding any other provision in this Lease, Lessor may also impose reasonable restrictions on Lessee's ingress and egress, and other limitations on Lessee's use of the Grounds, based on construction or future development of the Grounds, provided Lessor provides Lessee with at least 90 days' notice in writing of any such limitation on use.

**2. Amendments to Section 3, "Term," of the Lease.**

A. By this Amendment, Section 3(A), "Term," of the Lease is hereby removed and replaced with the following:

A. Term. The term of this Lease, (the "Term"), commenced at 12:00 a.m. on the Effective Date of the Lease. The Term of this lease shall terminate at midnight on November 8, 2020.

B. Section 3(B), "Thirty-Six Month Maximum Holdover," of the Lease is hereby removed and replaced with the following:

**B. Twenty-Four Month Maximum Holdover.**

(i) In the event Lessee enters into a third-party license agreement with Big Sky Productions, LLC, or its designee, (hereinafter "Production Entity"), for any use of the Premises authorized under the Lease, then the Term of the Lease shall be automatically extended to midnight on July 31, 2021, provided that Lessee must notify Lessor or its successor(s) in interest in writing on or before August 31, 2020, that this contingency has been met; and

(ii) In the event the Production Entity exercises an option for a second year of production on the Premises pursuant to the terms and conditions of the third-party license agreement being contemplated between Lessee and the Production Entity, then the Term of the Lease shall be automatically extended to midnight on July 31, 2022, provided that Lessee must notify Lessor or its successor(s) in interest in writing on or before June 30, 2021, that this contingency has been met.

C. The following language shall be added to the Lease as Section 3(E):

E. Shelter in Place Extension. In the event the State of New Mexico or any other relevant local, state or federal authority issues a "shelter in place" order, or similar emergency order, regarding COVID-19 that directly prevents the full use of the Premises by Lessee or Lessee's licensees for its intended use stated within the License, then the Term of this Lease, or any holdover period then in effect, shall automatically be extended for a period equal to the duration of the emergency order's prevention of the Lessee's or licensees' full use of the Premises.

D. The following language shall be added to the Lease as Section 3(F):

F. Other Production Delays. In the event any Allowed Uses that are the subject of a third-party license agreement between Lessee and the Production Entity, are delayed for a period in excess of 14 days due to circumstances outside Lessee's control, then the Term of this Lease, or any holdover period then in effect, shall automatically be extended for a period equal to the full duration of each such production delay. Such extensions may not exceed three (3) months cumulatively.

E. The following language shall be added to the Lease as Section 3(G):

G. Disposition and Development Agreement. It is understood and agreed that Lessor intends to enter into a Disposition and Development Agreement (DDA) with a master developer during the Term of this Lease. Notwithstanding the execution of any such DDA, this Lease shall remain in full force and effect as against Lessor or its successor(s) in interest unless and until it expires or is terminated as set forth herein.

3. **Amendment to Section 4, "Use of Premises and Grounds," of the Lease.**

A. Section 4(A), "Licensed Use," shall be removed and replaced with the following:

A. Licensed Use; Adjustment of Premises Footprint During Term. Lessee shall use the Premises for the purpose of licensing its use by film, television, and media production entities ("**Production Entities**") to produce films, broadcast media, or television shows ("**Films**") and for the purposes of commercial uses associated with the Production Entities' Allowed Use of the property. Lessee shall not license or otherwise encumber the Premises or Grounds for any other purpose without Lessor's prior written approval.

Although the Premises includes Lot G for parking, Lessor and its successor(s) in interest reserve the right, commencing on August 1, 2021, to exclude portions of Lot G from the Premises for the purpose of future development of the Midtown Campus. If the Lessor excludes portions of Lot G, Lessor shall thereafter provide Lessee comparable access and parking for the Premises during the remainder of the Term, and any holdover period granted to Lessee.

B. Section 4(B), "Allowed Uses," of the Lease shall be removed and replaced with the following:

B. Allowed Uses. The Lessee may allow its licensees to use and occupy the Premises for Film production, production office, parking, and storage uses related to the Films ("**Allowed Uses**"). Other than the limited rights of ingress and egress upon the Grounds as set forth in Section 1(C) of this Lease, Allowed Uses does not include any license or use of the Grounds by Lessee or its licensees without prior written approval by Lessor. Production of obscene material, deemed by the Supreme Court of the United States as not protected by the First Amendment of the U.S. Constitution, is expressly understood to be prohibited and not an Allowed Use. Failure of the Lessee to restrict the use of the Premises as provided herein shall be deemed a substantial breach of this Lease and may constitute grounds for immediate termination by Lessor.

4. **Amendment to Section 5, "Licenses" of the Lease**

1. Delete in its entirety Section 5 (D) of the Agreement and replace with the following:

D. **Lessor Approval Required.** Prior written approval by the Lessor shall be required before Lessee may enter into any License agreement. Lessee shall get written approval from the City prior to offering and negotiating areas within the Premises and Grounds to ensure coordination with the disposition and development plans between the City and master developer. Prior to executing a License Agreement between the Lessee and the Production Entity, the Lessee shall submit a License Use Summary ("License Use Summary") to the Lessor for approval. Once approved by the City, the License Use Summary shall become an Exhibit to the completed License Agreement between the Lessee and the Production Entity. Said License Use Summary shall, at a minimum, include the following information: (a) Name of Production Entity, including the name of corporate entity and affiliates, contact information of authorized corporate entity; (b) Identification of area of Premises and Grounds to be licensed to the Production Entity; (c) Specific use of Premises and Grounds; (d) Term of use of Premises and Grounds. The Lessor maintains the right to request additional information to review and provide License Agreement approval.

**5. Amendment to Section 6, "Rent," of the Lease.**

- A. Section 6(A)(i) of the Lease is deleted and replacing with the following:

(i) **Base Rent.** "Base Rent" shall be the base rent for each month for the Premises or the Temporarily Reduced Premises shall be calculated pursuant to **Exhibit 1** of this Amendment. Base Rent shall also include areas of Grounds included in the License, which shall be calculated based on the Market Rent Appraisal attached in "Exhibit 2" to this Amendment, as may be amended at the Lessor's sole discretion.

**6. Amendment to Section 10, "Assignment or Transfer; No Subleasing of the Lease.**

- A. The following language shall be added to the Lease as Section 10(b) to the Agreement:

b. Lessor may assign or otherwise transfer its rights under this Lease to another Lessor, upon written notice to Lessee.

**7. Amendment to Section 16, "Termination," of the Lease.**

- A. Section 16(A), "Termination by Lessor," of the Lease is hereby removed and replaced with the following:

A. **Termination by Lessor.** Lessor may only terminate this Lease for cause upon Lessee's failure to comply with any provisions contained herein. Prior to termination for cause, Lessor shall hand-deliver or mail notice to Lessee via certified or registered mail specifying:

- (i) the breach by Lessee;
- (ii) the action required by Lessee to cure the breach;
- (iii) a date, not less than fifteen (15) days from the date the notice is hand-delivered or mailed to Lessee, by which such breach must be cured; and
- (iv) that failure to cure the such breach on or before the date specified in the notice will result in termination of the Lease.

Except as specifically provided in this Amendment #1, the Agreement remains and shall remain in full force and effect, in accordance with its term.

IN WITNESS WHEREOF, the parties have executed this Amendment #1 as of this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

LESSOR:  
CITY OF SANTA FE

  
\_\_\_\_\_  
ALAN WEBBER, MAYOR

APPROVED AS TO FORM FOR LEGAL SUFFICIENCY:

/s/ Andréa Salazar for  
ERIN K. MCSHERRY, CITY ATTORNEY


APPROVED AT TO FINANCE:

  
\_\_\_\_\_  
MARY T. MCCOY, FINANCE DIRECTOR

ATTEST:

\_\_\_\_\_  
YOLANDA Y. VIGIL, CITY CLERK  
QB 5/27/20

LESSEE:  
GARSON STUDIOS SANTA FE, LLC

  
\_\_\_\_\_

CLAUDIO RUBEN, PRINCIPAL

STATE OF NEW MEXICO)  
COUNTY OF SANTA FE ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_  
2020, by CLAUDIO RUBEN, the Principal of Garson Studios Santa Fe LLC, a New Mexico limited liability  
company.

\_\_\_\_\_  
Notary Public

My commission expires:

KDC/Cienda acknowledges that the City consulted  
with them before modifying these lease terms  
pursuant to Section 3.1 of the parties exclusive  
negotiation agreement period:

\_\_\_\_\_  
Scott Ozymy, Vice President of KDC Cienda  
SF Investments One GP LLC, a Texas limited liability company

**EXHIBIT 1**

**BASE RENT FOR PREMISES**

<b><u>Premises Area</u></b>	<b><u>Quantity</u></b>	<b><u>Units</u></b>	<b><u>Annual Rate</u></b>	<b><u>Monthly Rent</u></b>
Stage A	14,000	Sq. Ft.	\$22.45 / SF	\$26,191
Stage B	7,500	Sq. Ft.	\$22.45 / SF	\$14,031
* Stage C	2,600	Sq. Ft.	\$22.45 / SF	\$0
Garson Office	3,354	Sq. Ft.	\$15.47 / SF	\$4,324
Garson Workshop	1,491	Sq. Ft.	\$15.47 / SF	\$1,922
Office 1	330	Sq. Ft.	\$15.47 / SF	\$425
Other Offices	8,500	Sq. Ft.	\$15.47 / SF	\$10,957
Parking (Lot G)	4.6	Acre	\$13,015/AC	\$5,000
<b>TOTAL</b>				<b>\$62,850</b>

\* Stage C has been omitted from Base Rent for educational uses related to a film school.



**EXHIBIT 2**

**See the 97 Page “Market Rent Survey Appraisal Report” attached**

**MARKET RENT SURVEY**

**Appraisal Report**

*OF:*

**Former Santa Fe University of Art & Design**

**Buildings: Benildus Hall, Garson Communications Building, The Screen, The Garson Theater and the Thaw Art History Building**

**Located at:**

**1600 St. Michael's Dr.**

**Santa Fe, NM 87505**

**Effective Date of Market Rent August 28, 2018**

**For:**

**Matthew O'Reilly, P.E., Director Of Asset Development**

**City of Santa Fe**

**200 Lincoln Ave.**

**Santa Fe, NM 87501**

**By:**

**Dominion Property Advisors**

**1305 Tijeras Ave. NW**

**Albuquerque, New Mexico 87102**



## Dominion Property Advisors

September 28, 2018

Matthew O'Reilly, P.E., Director Of Asset Development  
City of Santa Fe  
200 Lincoln Ave.  
Santa Fe, NM 87501

Re: Market Rent Appraisal of Former Santa Fe University of Art & Design Buildings:  
Benildus Hall, Garson Communications Building, The Screen, The Garson Theater  
and the Thaw Art History Building Located at:  
1600 St. Michael's Dr.  
Santa Fe, NM 87505  
(Dominion Job No.:18-157-271)

Dear Mr. O'Reilly:

At your request, we have prepared a market rent survey – appraisal report for the referenced property above. We are providing our opinion of a market derived rental rate for the subject five buildings “as is” as of the effective date noted. We have performed a market rent survey of comparable properties for professional offices, schools, production theaters and movie theaters. The report communicates the results of the survey.

This appraisal report is intended to comply with the reporting requirements set forth under the Uniform Standards of Professional Appraisal Practice (USPAP) and the guidelines of the Appraisal Institute. The extent of research and scope of the project have been clearly outlined in the Scope of Work section of this report. The report is a brief recapitulation of the appraiser's data, analysis, and conclusions consistent with the reporting guidelines of Standards Rule 2-2 (a) and is intended to meet the appraisal requirements of the Financial Institution Recovery Reform and Enforcement Act of 1989 (12 U.S.C. 331-3351). Supporting documentation is retained in the appraisers' file.

The appraisal is also intended to be in compliance with the Code of Professional Ethics of the Appraisal Institute. A copy of your letter of authorization and list of appraisal instructions has been included in the addenda. The appraisers are unbiased with respect to the parties involved and have no present or contemplated future interest in the property appraised. Accordingly, statements of fact are, to the best of our knowledge, correct, and compensation for making this appraisal is not contingent on the value conclusions reported herein. Furthermore, this appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Based on the research and analysis presented herein, the following is our opinion market rents for the subject property's five buildings:

**FINAL OPINIONS OF MARKET RENT**

<b>Buildings</b>	<b>Effective Date of Value</b>	<b>Lease Structure</b>	<b>Opinion of Market Rent Per SF</b>	<b>Opinion of Market Rent Per Month</b>	<b>Opinion of Market Rent Annually</b>
Benildus "As Is"	August 28, 2018	Modified Gross	\$11.00	\$25,444	\$305,327
Garson Communications Building "As Is"	August 28, 2018	Modified Gross	\$15.00	\$25,460	\$305,520
The Screen "As Is"	August 28, 2018	Modified Gross	\$8.00	\$2,722	\$32,664
Garson Theater "As Is"	August 28, 2018	Modified Gross	\$10.00	\$27,190	\$326,280
Thaw Art History Building "As Is"	August 28, 2018	Modified Gross	\$16.00	\$20,061	\$240,736

Respectfully submitted,

DOMINION PROPERTY ADVISORS



ANTHONY KUNA, MAI  
GENERAL CERTIFIED APPRAISER, NM #3041-G



KATHLEEN BURMEISTER, MAI  
GENERAL CERTIFIED APPRAISER, NM #03025-G

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### **Addenda**

Floor Plans  
Rent Photographs and Maps  
Qualifications of the Appraiser  
Engagement Letter

### **Executive Summary**

**Type:** Former Santa Fe University of Art & Design  
Buildings: Benildus Hall, Garson Communications Building, The Screen, The Garson Theater and the Thaw Art History Building

**Location:** 1600 St. Michael's Dr.  
Santa Fe, NM 87505

**Client:** Matthew O'Reilly, Director Of Asset Development  
City of Santa Fe  
200 Lincoln Ave.  
Santa Fe, NM 87501

**Total Site Area:** 64.22 acres (Main Campus)

**Property Location:** The subject buildings are located within the former Santa Fe University of Art & Design campus located south of St. Michael's Dr. and east of Cerrillos Rd. Access to the campus is provided by Alumni Dr., a private access road off of St. Michael's Dr.

#### **Gross Building Areas:**

<b>Buildings</b>	<b>Building Type</b>	<b>Size</b>
Benildus "As Is" (Building #23)	Classroom/School	27,757
Garson Communications Building "As Is" (Building 15)	Office	20,368
The Screen "As Is" (Building # 16)	Movie Theater	4,083
Garson Theater "As Is" (Building #1)	Production Theater	32,628
Thaw Art History Building "As Is" (Building #28)	Office	15,046

#### **Building Improvements:**

<b>Buildings</b>	<b>Quality</b>	<b>Condition</b>	<b>Actual Age</b>	<b>Effective Age</b>
Benildus "As Is" (Building #23)	Good	Average	1963/ 2005	20 years
Garson Communications Building "As Is" (Building 15)	Average	Average	1991	20 years
The Screen "As Is" (Building # 16)	Average	Average	1991	20 years
Garson Theater "As Is" (Building #1)	Good	Average	1965	30 years
Thaw Art History Building "As Is" (Building #28)	Average	Average	1998	15 years

**Zoning:** R-5 (Residential)

**Flood Zone:** Zone X

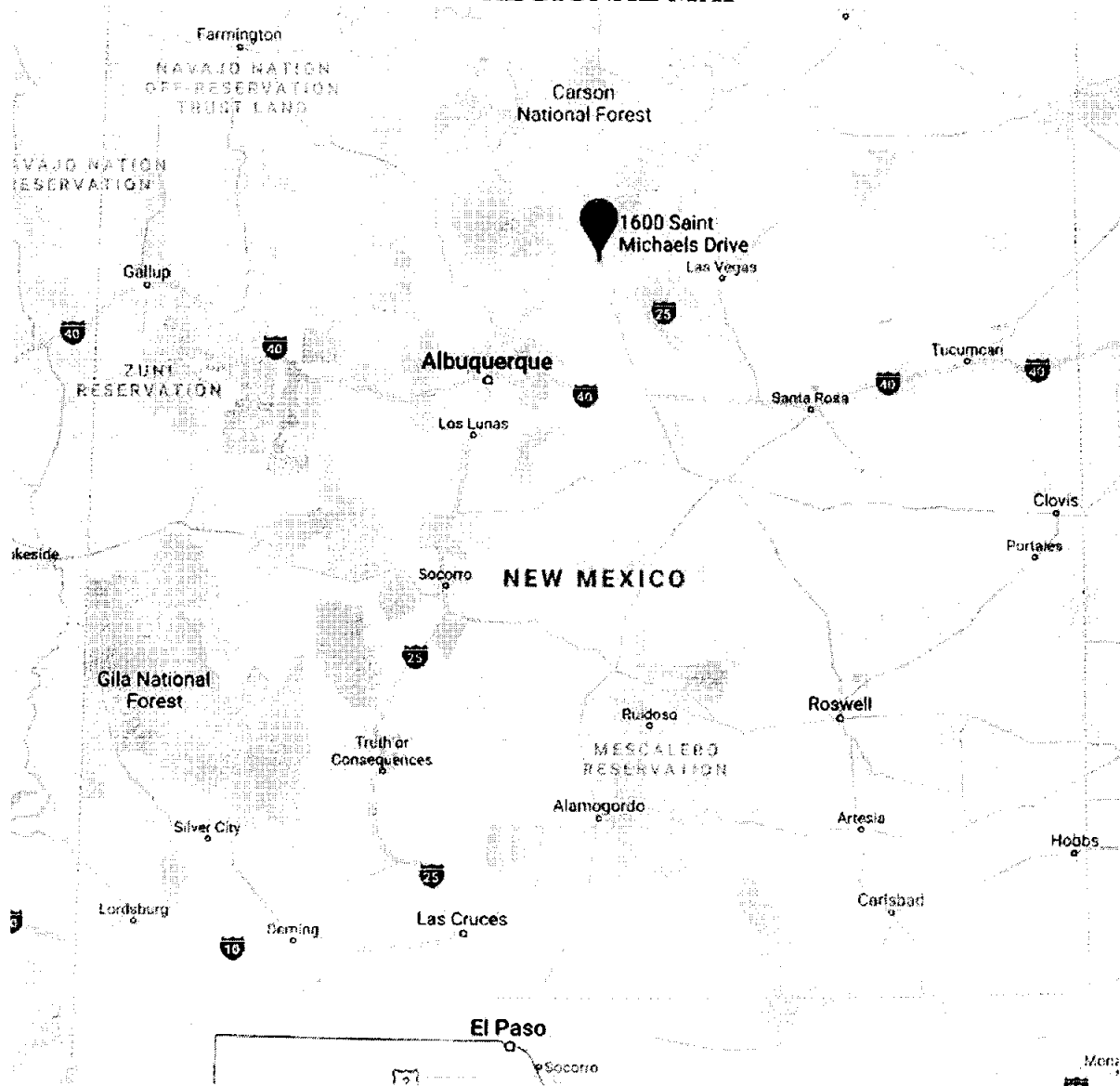
**Property Rights Appraised:** Fee simple

Final Opinions of Market Rent:

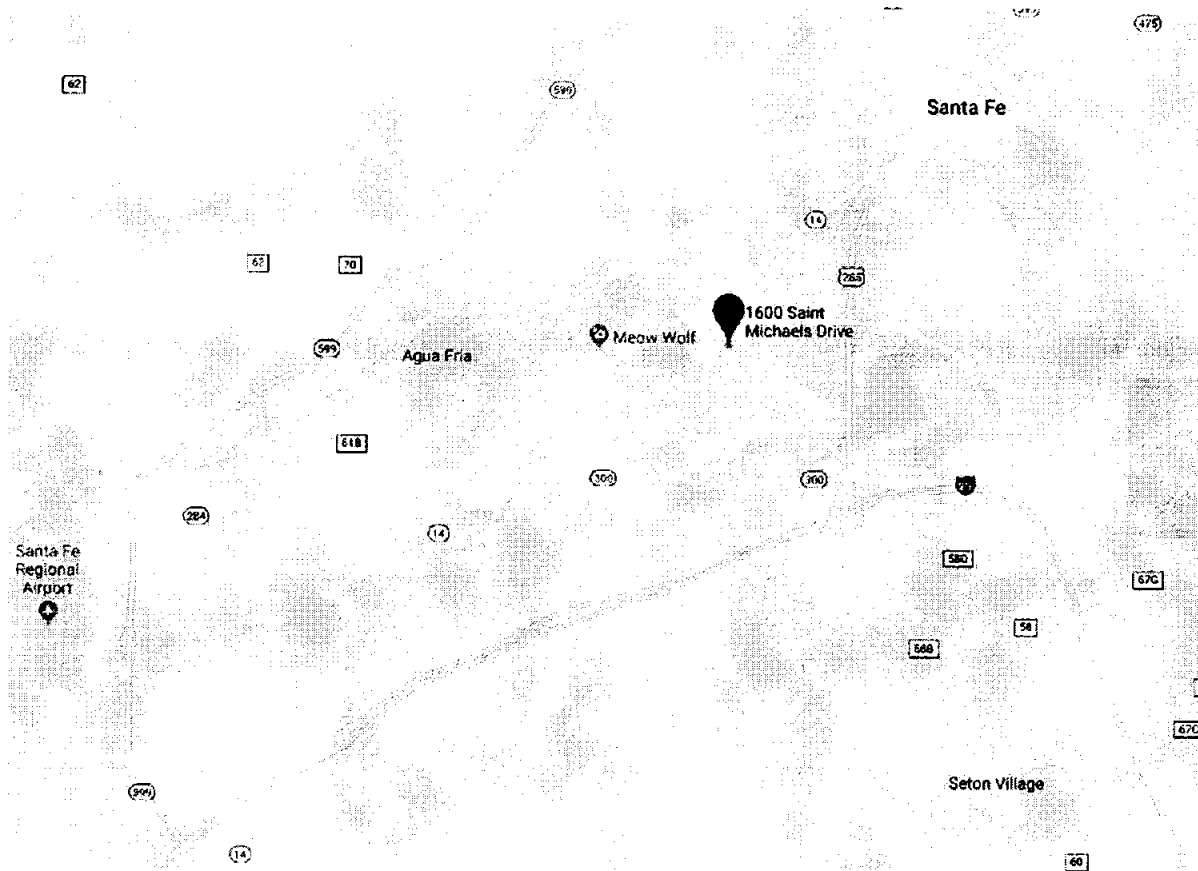
<b>Buildings</b>	<b>Effective Date of Value</b>	<b>Lease Structure</b>	<b>Opinion of Market Rent Per SF</b>	<b>Opinion of Market Rent Per Month</b>	<b>Opinion of Market Rent Annually</b>
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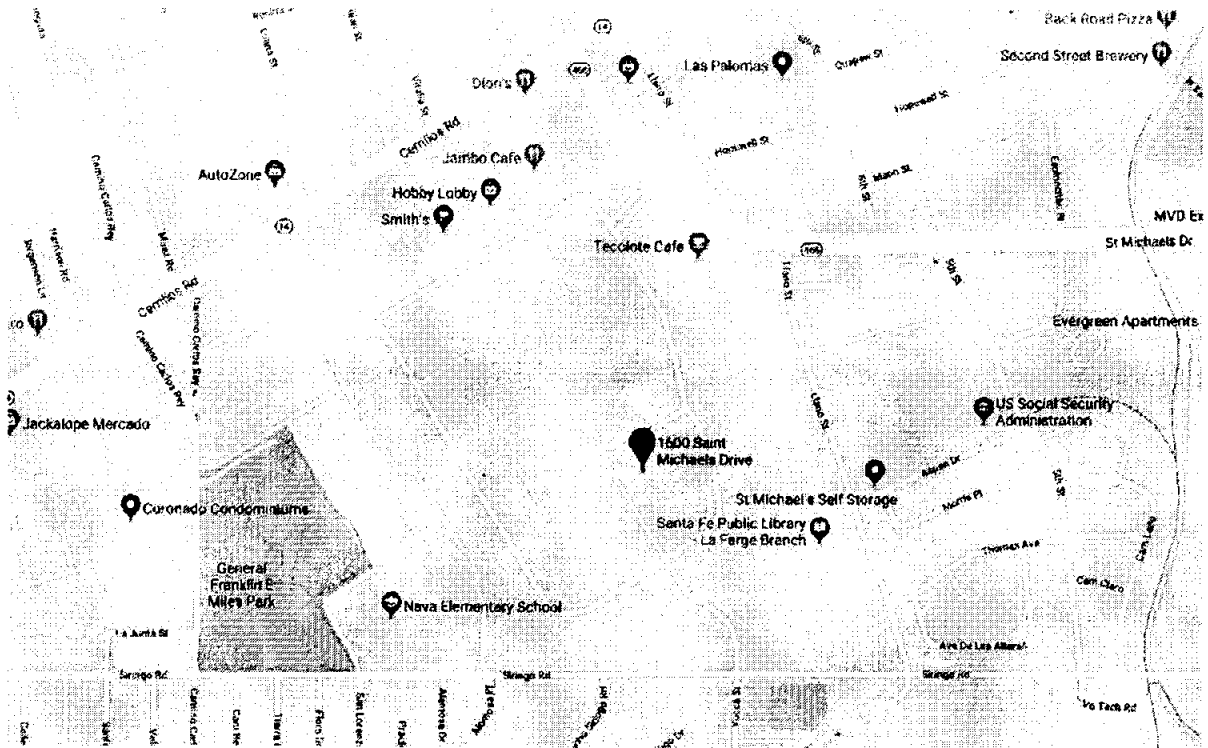
## REGIONAL MAP



## CITY MAP



## NEIGHBORHOOD MAP

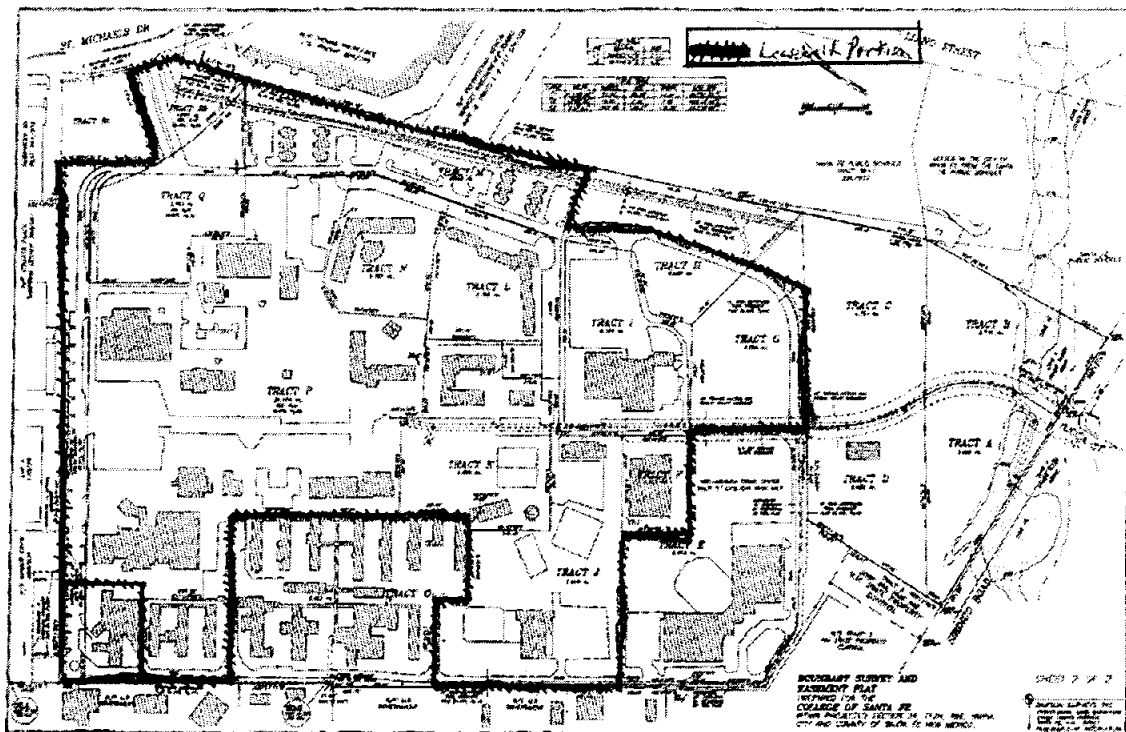


## AERIAL PHOTOGRAPH



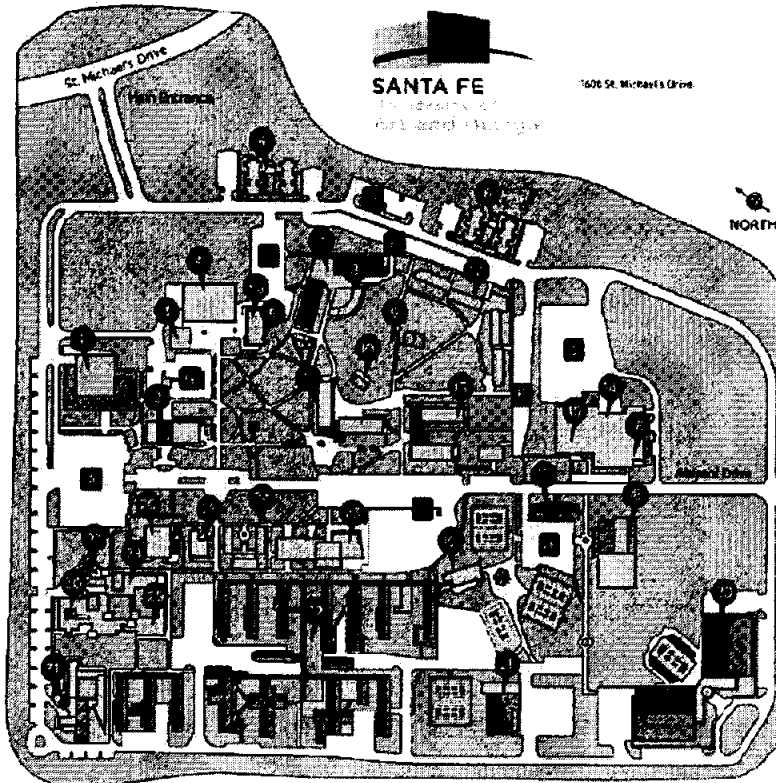
Property lines depicted are an estimate and for reference only

## SURVEY



## CAMPUS MAP

# Campus Map



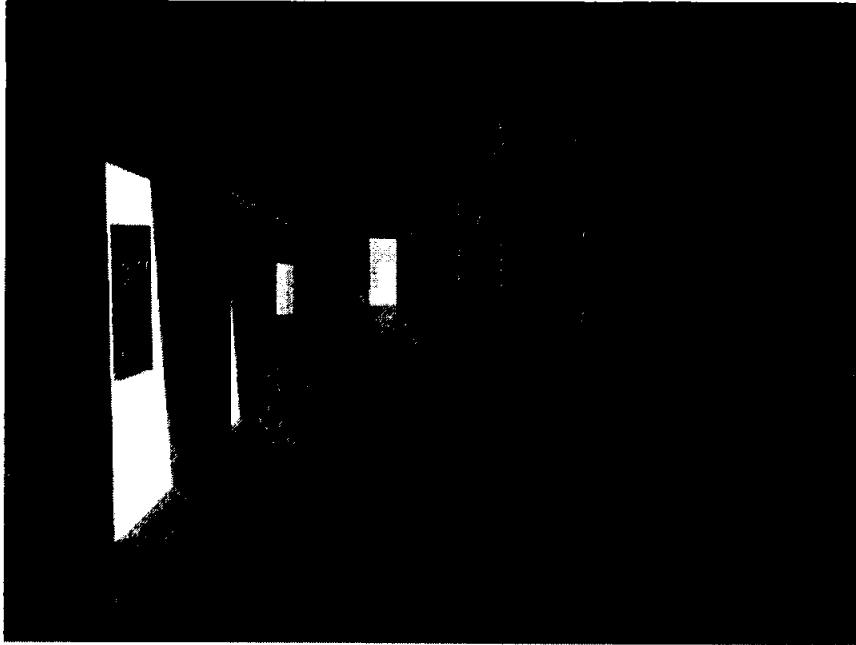
### BUILDINGS

2. Administration Building
3. Alumni Hall
21. Athletic Hall
22. Bandstand
23. Bookstore
24. Cafeteria
25. Conference Room
26. Fine Arts Center
27. Fine Arts Gallery
28. Food Service
29. Gymnasium
30. Health Center
31. Home Economics
32. Industrial Arts
33. Library
34. Music Center
35. Physical Education
36. Science Center
37. Social Science
38. Speech Center
39. Theater
40. Visual Arts
41. Workshop
42. Yacht Club
43. Zephyr Hall
44. Zephyr Hall
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100. Zephyr Hall

### PARKING

- A. Main Entrance Parking
- B. Administration Building
- C. St. Michael's Hall
- D. Student Union
- E. Fine Arts Center
- F. Fine Arts Gallery

## SUBJECT PHOTOS



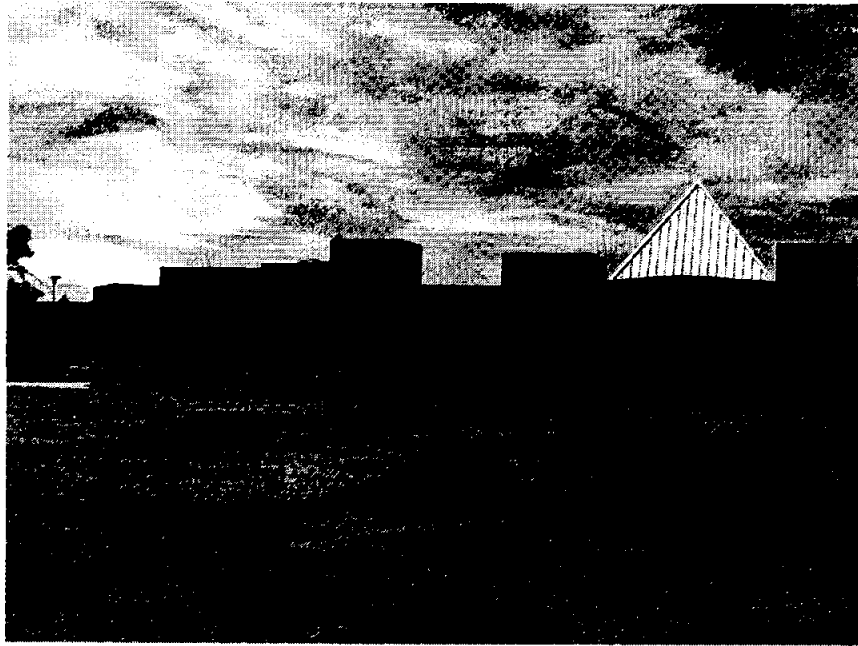
Thaw building



Interior hallway (Thaw Building)



## SUBJECT PHOTOS



View of the Visual Arts Building (Thaw) looking southwest



Greer Garson Theater

## SUBJECT PHOTOS



Theater



Benildus Hall

## SUBJECT PHOTOS



Interior Hallways (Benildus)

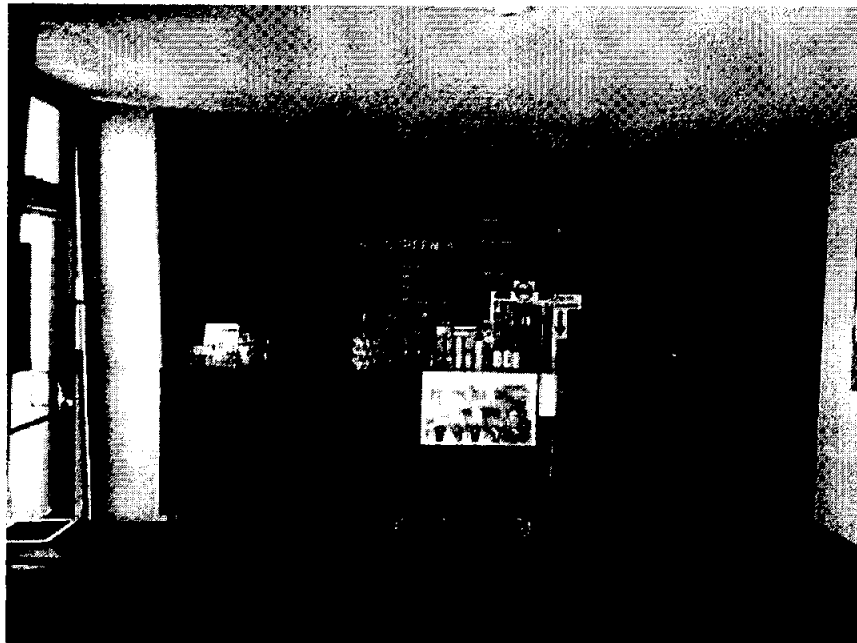


Interior Photo (Benildus Hall)

## SUBJECT PHOTOS

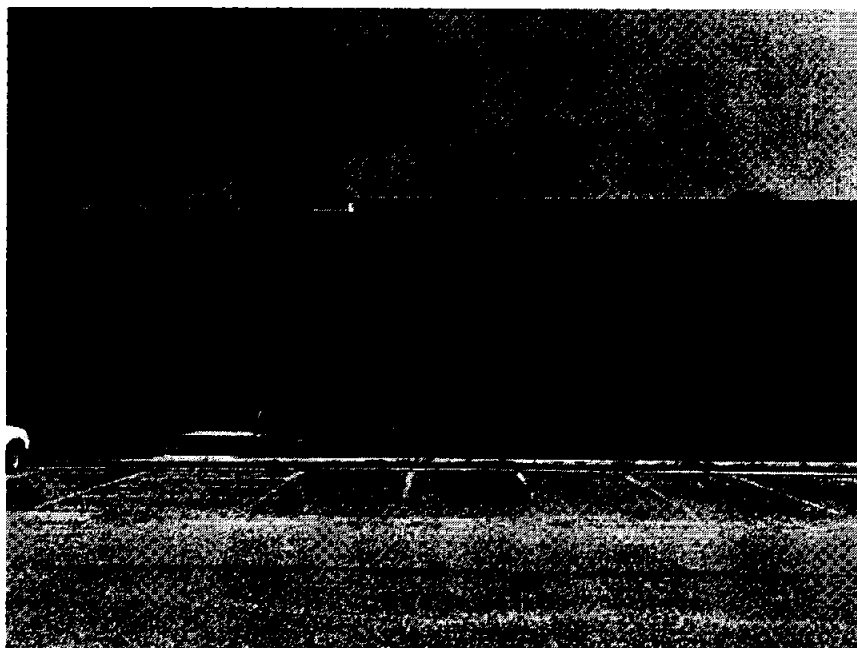


The Screen

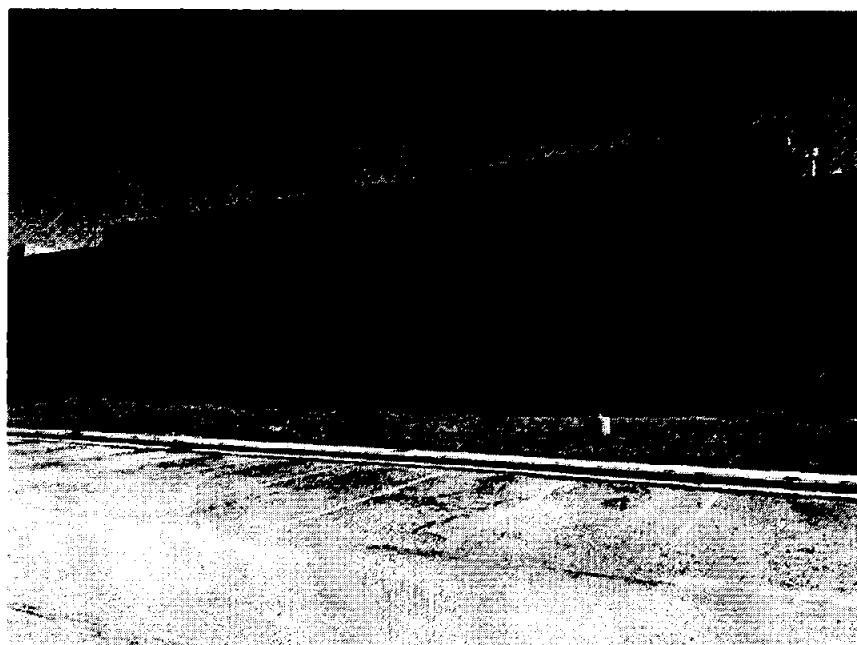


Lobby

## SUBJECT PHOTOS

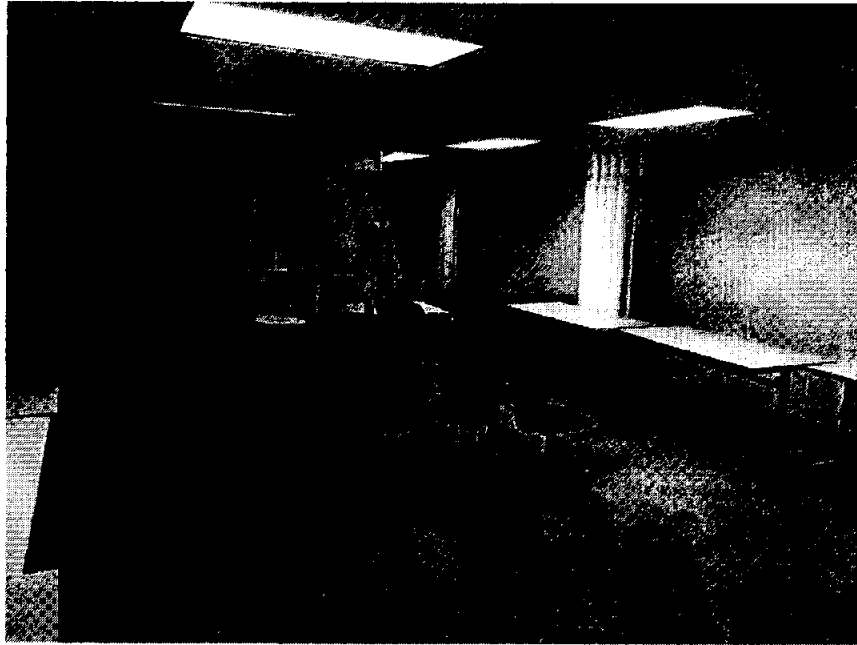


Garson Film School



Garson Film School

## **SUBJECT PHOTOS**



**Interior offices (typical)**



**Private offices (typical)**

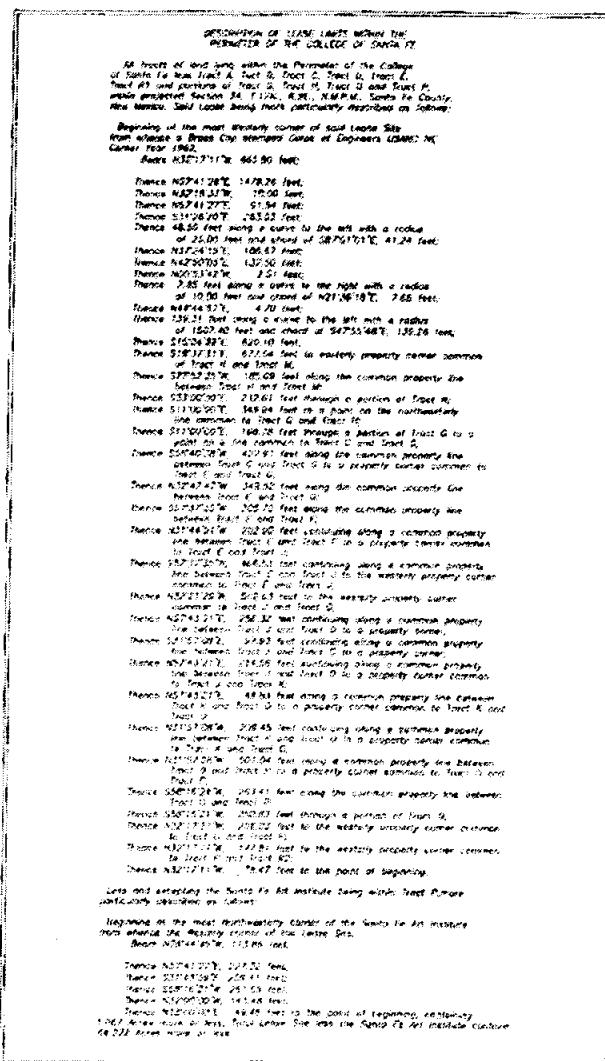
# INTRODUCTION

## Overview of the Appraised Property

The subject property consists of five average-to-good quality buildings (Benildus Hall, Garson Communications Building, The Screen, The Garson Theater and the Thaw Art History Building) within the former Santa Fe University of Art & Design (SFUAD Campus) located south of St. Michael's Dr. and east of Cerrillos Rd. Access to the campus is provided by Alumni Dr., a private access road off of St. Michael's Dr. The street address is 1600 St. Michael's Dr., Santa Fe, NM 87505. This appraisal will provide an opinion of market rent "as is" of the fee simple interest in the subject buildings (effective August 28, 2018).

## Legal Description

According to Santa Fe County Assessor records, the subject buildings are situated on a 64.22 acre site legally defined as follows:



### **Ownership and History of the Subject Property**

Current ownership of the subject property (five buildings within the SFUAD campus) has been vested in the City of Santa Fe which purchased the campus in 2009 for \$19,500,000. The campus was leased to the Santa Fe University of Art and Design, LLC which eventually vacated the premises in 2017. The City of Santa Fe spent \$16,600,000 remodeling and refurbishing the campus between 2009 and 2014. Ownership has requested a market rent study for the five aforementioned buildings. The Screen is leased to a non-profit entity for an undisclosed amount and is reportedly month-to-month. To the best of our knowledge there has been no other real estate activity pertaining to the subject in the last three years.

### **Scope of the Assignment**

The assignment is to provide an opinion of market rent "as is" and to deliver an appraisal report of our findings and conclusions. The appraisers have:

- 1) made a physical interior and exterior appraisal inspection of the subject buildings. We have not inspected the mechanical systems and roofing systems and assume that they are of similar quality and in similar condition as the balance of the improvements;
- 2) relied on a visual inspection of the site and a review of the site survey in order to identify documented or apparent easements, restrictions or encroachments;
- 3) physically measured the subject improvements and reviewed building plans provided by ownership in order to determine gross building area (GBA);
- 4) concluded a highest and best use;
- 5) Analyzed a three-year history prior to the effective date of this appraisal of the subject property;
- 6) Once the subject property was inspected, we collected available data concerning recent signed leases on improved properties which directly compete or which are similar in use to with the subject property. Confirmation of the data was obtained through personal interviews or by telephone conversations with tenants, property managers or real estate brokers. Knowledgeable real estate professionals were surveyed to determine supply and demand relationships, appropriate comparable rentals, typical listing times, and current market conditions. After the pertinent market and rental information was confirmed, the data was thoroughly analyzed in order to establish market rent for the subject property.
- 7) The traditional approaches to market value are not considered herein. The Cost and Sales Comparison Approaches are not applicable, as our valuation is for the market rent of the property exclusive of any estimate of land value, replacement cost, or value of the subject if sold to an investor or owner-occupant.
- 8) An Income Approach was developed in order to establish market rent for the subject property.

The appraisal is intended to conform to the guidelines of the Appraisal Institute. The report is a recapitulation of the appraisers' data, analysis, and conclusions consistent with the reporting guidelines of Standards Rule 2-2 (a). Supporting documentation is retained in the appraiser's file.

### **Intended Use of the Appraisal**

The intended use of this assignment is to provide a market rent survey as of August 28, 2018, for the five buildings contained within the former SFUAD campus as an aid in asset management decisions. The intended user of this report is the City of Santa Fe. This appraisal may not be used or relied upon by any individual or entity other than the intended user for whom it was prepared.



### **Market Rent**

Market rent is defined as:

*"The rental income a property would probably command in the open market; indicated by the current rents that are either paid or asked for comparable space as of the date of the appraisal."*<sup>1</sup>

Market Rent is also defined as:

*"The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs)."*<sup>2</sup>

### **Property Rights Defined**

The market rent for the subject property is based on the fee simple interest in the property as of August 28, 2018, unencumbered by any long term lease agreements.

Fee simple estate is defined as:

*"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."*<sup>3</sup>

### **Marketing Time**

A reasonable *exposure time* is the amount of time, leading up to the date of the market value, necessary to expose a property to the open market in order to achieve a sale. Marketing periods for similar sales of this type property typically range from a few to 12 months. In our opinion, less than 12 months is a reasonable *exposure time* for the subject under current market conditions.

The projected *marketing time* is the length of time it would probably take to sell the subject if placed on the market as of the appraisal date. If placed on the market and appropriately priced, we believe there is a high likelihood the subject would sell within less than 12 months. During the foreseeable future, we project that the *marketing time* for the subject should be equal to or lower than the estimated exposure time, i.e., less than 12 months.

### **Effective Dates of Appraisal**

Our most recent inspection of the subject property was August 28, 2018, the effective date. The date of this report is September 28, 2018.

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<sup>1</sup> The Appraisal of Real Estate, 12th Edition, Appraisal Institute, 2001, Page 480

<sup>2</sup> The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, 2015, Page 140

<sup>3</sup> Ibid, p. 78

## LIMITING CONDITIONS AND ASSUMPTIONS

The appraisal described and contained herein is expressly limited and conditioned upon the terms, assumptions and other matters contained in this section entitled "Limiting Conditions and Assumptions." Said limiting conditions and assumptions are hereby incorporated into the appraisal in their entirety by this reference.

### Appraisal Report

This document is an appraisal report and is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for an appraisal report. The scope of this report has been detailed in the Scope of Work section which clearly outlines approaches used to estimate value.

#### A. Scope of the Appraisal

Dominion Property Advisors ("Appraiser"), acting herein by and through its authorized appraisers, have been retained by the Client to provide an opinion of fee simple market rent "as is" for the subject property, which opinion is fully set forth in the Appraisal. In compiling the Appraisal, the Appraisers have relied upon information provided to them by the Client. The assumptions which have been made concerning the Appraisal include the foregoing and other specific assumptions more particularly set forth in the Appraisal. The Appraisers have not independently verified all of the information furnished to them or assumptions made with respect to the Appraisal unless otherwise indicated by the Appraisers and therefore are not responsible for their content or their effect on the Market Value of the Property.

#### B. Intended Use of the Appraisal

The Appraisers have been engaged by the Client to provide an opinion of fee simple market rent "as is" as an aid in portfolio management. Any other use of the Appraisal without the prior written consent of the Appraisers is strictly forbidden. Any unauthorized use of the Appraisal will render the Appraisal null and void and of no force or effect.

#### C. Severability

No portion of the Appraisal may be reproduced in whole or in part without the prior written consent of the Appraisers.

#### D. Copies, Publication, Distribution, Use and Ownership of Report

Possession of this report or any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of Dominion Property Advisors for the use of the client, the fee being for the analytical services only.

The Bylaws and Regulations of the Appraisal Institute require each Member and Candidate to control the use and distribution of each appraisal report signed by such Member or Candidate; this appraisal report shall not be given to third parties without the prior written consent of the signatories of this appraisal report. Neither all nor any part of this appraisal report shall be disseminated to the general public by use of advertising media, public relations, news, sales or other media for public communication without the prior written consent of Dominion Property Advisors.

#### E. Other Services

The Appraisers have not been engaged to fulfill any services other than those set forth in the discussions with the lender, the terms and conditions of which are hereby incorporated herein by this reference. The Appraisers are not obligated to provide any other services, including but not limited to, testimony in court or before any other body charged with interpretation of enforcement of the Appraisal. The Appraisers shall not provide any post-appraisal consultations with the Client or other parties without the payment of additional fees of the Appraiser's normal hourly rates for such services then in effect.

If Appraisers shall be required to provide any testimony pursuant to any subpoena, Client shall pay any costs and expenses associated with such testimony, which shall include, but not be limited to, reasonable attorneys' fees and compensation of the Appraisers at their normal hourly fee.

#### F. Real Estate Values

Due to the nature of real estate valuation and the complexities of external and internal factors which dictate the Market Value and Prospective Market Value of any real estate, and the rapid changes and fluctuations with respect to the valuation of real estate, the opinion of the Appraisers set forth in the Appraisal concerning the Market Value of the Property is reliable as of the Effective Date and should not be considered as reliable at any time thereafter.

G. No Guarantee or Warranty

The Appraisers make no guarantee or warranty, whether implied or expressed, concerning the Market Value and Prospective Market Value set forth in the Appraisal. The Appraisal merely set forth the Appraisers' opinions of such Market Values based upon information submitted by the Client and assumptions made by the Appraisers with respect to the Property.

H. Americans with Disabilities Act "ADA"

The appraisers have not made or been furnished with a specific compliance study to determine if the subject property (existing and or proposed) is in compliance with the specialized requirements of the ADA. It is possible that the subject property is not in compliance with the ADA requirements which became effective in January of 1992. This could negatively impact the market value of the subject property and any such finding might require revision of this appraisal and its market value estimate. Unless evidence is furnished to the contrary, the appraiser assumes compliance. It is recommended that the Client obtain an expert opinion in regard to the specific requirements of the ADA.

I. Legal, Engineering, Financial, Structural or Mechanical Components; Nature, Hidden or Unapparent Conditions, and Soil

No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical or engineering nature. No opinion is rendered as to the title of the subject property, which is presumed to be good and merchantable. The Property is appraised as if free and clear, unless otherwise stated in particular parts of the report. The legal description is assumed to be correct as used in this report as furnished by the client, his designee, or as derived by the Appraisers.

Please note that no advice is given regarding mechanical equipment or structural integrity or adequacy, nor soils and potential for settlement, drainage and such (seek assistance from qualified architect and/or engineer), nor matters concerning liens, title status, legal marketability and such (seek legal assistance). The lender and owner should inspect the Property before any disbursement of funds; further it is likely that the lender or owner may wish to require mechanical or structural inspections by a qualified and licensed contractor, civil or structural engineer, architect, or other expert.

The Appraisers have inspected as far as possible, by observation, the land and the improvements; however, it was not possible to personally observe conditions beneath the soil or hidden or unapparent structural, or other components. We have not critically inspected mechanical components within the improvements and no representations are made herein as to these matters unless specifically stated and considered in the report. The value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm, however subsidence in the area is unknown. The Appraisers do not warrant against this condition or the occurrence of problems arising from soil conditions.

The Appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures or toxic materials which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to adequacy of insulation, type of insulation or energy efficiency of the improvements or equipment.

If the Appraisers have not been supplied with a survey, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranties are made concerning obtaining the above mentioned items.

The Appraisers assume no responsibility for any costs or consequences arising due to the need, or the lack of need for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for flood hazard insurance.

J. Legality of Use

The Appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further that all applicable zoning, building and use regulations and restrictions for all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

K. Subsurface Rights

Subsurface Rights (minerals and oil) were not considered in this Appraisal unless otherwise specifically stated.

L. Insulation and Toxic Materials

Unless otherwise stated in this report, the Appraisers signing this report have no knowledge concerning the presence or absence of any toxic materials and/or urea-formaldehyde foam insulation in existing improvements; if such is present, the value of the property may be adversely affected and re-appraisal at additional cost may be necessary to estimate the effects of such.

M. Terms of Sale and Full Disclosure

The State of New Mexico does not have full disclosure laws regarding real estate transactions. Therefore, the Appraisers had to confirm all sales and rental comparables with brokers, property managers, mortgage brokers, grantors, grantees and other parties familiar with the transaction. The Appraisers' results are limited by the accuracy of the information supplied by the aforementioned individuals. Whenever possible, the information was verified by county records.

N. Environmental Hazard Notice

Comprehensive federal and state laws and regulations have been enacted in the last few years in an effort to develop controls over the use storage, handling, clean-up, removal and disposal of hazardous wastes or substances. Some of these laws and regulations, such as the so-called "Superfund Act," provide for broad liability schemes wherein an owner, tenant or other use of the property may be liable for clean-up costs and damages regardless of fault. Other laws and regulations set standards for the handling of asbestos or establish requirements for the use, modification, abandonment, or closing of underground storage tanks.

It is not practical or possible to list all such laws and regulations in this Notice. Therefore, owners, buyers, tenants, and lenders involved with the property which is the subject of this report, and any other use and/or uses of this report are urged to consult legal counsel to determine their respective rights and liabilities with respect to the proposed transactions involving the subject of this appraisal. If hazardous wastes or substances have been, or are going to be used, or if underground storage tanks are present, it is essential that legal and technical advice be obtained in determining, among other things, what permits and approvals have been or may be required, if any, estimated costs and expenses associated with the use, storage, handling, clean-up, removal or disposal of the hazardous wastes or substances, and what contractual provisions and protections are necessary or desirable. It may also be important to obtain expert assistance for site investigations and building inspections. The past uses of the property may provide valuable information as to the likelihood of hazardous wastes or substances, or underground storage tanks being on the property.

We have not made investigations or obtained reports regarding the subject matter of this Notice, except as may be specifically described within the body of this appraisal. We make no representations regarding the existence or non-existence of hazardous wastes or substances, or underground storage tanks on the property. The user and/or users of this report should contact a professional, such as a civil engineer, geologist, industrial hygienist or other persons with experience in these matters to provide advice concerning the property.

The term "hazardous wastes or substances" is used in this Notice in its very broadest sense and includes, but is not limited to, petroleum based products, paints and solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonium compounds, asbestos, PCB's and any storage tanks that may be present on all types of real property. This Notice is, therefore, meant to apply to any type of real property, whether improved or unimproved.

## SANTA FE PROFILE

This section of the report summarizes the city's economic base, its history; its demographic and land use trends, and the current development climate for real estate.

### General

Santa Fe, the capital of New Mexico, is located in the north-central portion of the state at the foothills of the Sangre de Cristo Mountains. Its elevation is approximately 7,000 feet above sea level. Founded in the early 1600s, Santa Fe is rich in historical and cultural attractions that have made it a popular tourist destination.

The city is recognized as being the architectural, cultural and historic center of New Mexico. In fact, Santa Fe has a rich history dating back prior to the pilgrims landing at Plymouth Rock when Santa Fe was an Indian village and Spanish settlement. Overall, Santa Fe's historic significance has been well preserved through the establishment of a historical district with rigorous architectural restrictions and guidelines.

From 1050 to 1607 Santa Fe was occupied by Pueblo Indians – mostly the Tewa's. It was in 1540 that "New Mexico" was first claimed for Spain by Don Francisco Vasques de Coronado. Don Juan de Onate was the first Governor of New Mexico and established the capital in 1598 at San Juan Pueblo, 25 miles north of Santa Fe. Don Pedro de Peralta was appointed Governor-General in 1609 and one year later he moved the capital to present day Santa Fe. During the following 80 years Spanish soldiers and Franciscan missionaries, tried to conquer and convert the Pueblo Indians of the region but the Indians revolted against them and killed approximately 400 conquistadors and missionaries. The triumphant Pueblo Indians attacked Santa Fe and burned most of the buildings, except the Palace of the Governors. Pueblo Indians occupied Santa Fe until 1692, when Don Diego de Vargas re-conquered the region. From 1692 to 1821 the city of Santa Fe grew and prospered. Between 1821 and 1846 Mexico gained its independence from Spain, and Santa Fe became the capital of the province of New Mexico. American trappers and traders moved into the region. Americans found Santa Fe and New Mexico not as uncivilized as they had imagined. In 1835, Mexico signed the Treaty of Guadalupe Hidalgo, giving New Mexico and California to the United States.

With the coming of the Atchison, Topeka and the Santa Fe Rail Rd. and the invention of the telegraph in 1880, Santa Fe and New Mexico underwent an economic revolution. Corruption in government, however, accompanied the growth, and President Rutherford B. Hayes appointed Lee Wallace as a territorial governor to "clean up New Mexico." Wallace did such a good job that Billy the Kid threatened to come up to Santa Fe and kill him. The state museum's emphasis on local history and native culture did much to reinforce Santa Fe's image as an "exotic" city. Although Santa Fe has had history of conquest and frontier violence, the town has also been the region's seat of culture and civilization.

Today, Santa Fe is recognized as one of the most intriguing cities in the nation, due largely to the city's preservation of historic buildings and a modern zoning code, passed in 1958 that mandates the city's distinctive Spanish-Pueblo style of architecture. This architecture is based on the adobe (mud and straw) and wood construction of the past. Also preserved are the traditions of the city's rich cultural heritage which helps make Santa Fe one of the country's most diverse and interesting places to visit.

It is the third-largest art market in the United States with approximately 200 galleries, and attracts art collectors worldwide. It is one of three Metropolitan Statistical Areas (MSAs) in the state. Santa Fe is located 60 miles north of Albuquerque, the largest city in New Mexico, and is 380 miles South of Denver, Colorado. Interstate 25 connects Santa Fe with both cities. Although Santa Fe has a local commuter airport, the nearest commercial airport is in Albuquerque.

Over the past several years, the momentum of Santa Fe's popularity as a retirement and business destination for wealthy Americans has increased. Along with the trend, tourism continues to encompass a major portion of the city and region's economy. In fact, Santa Fe is the leading tourist destination in New

Mexico which draws visitors from all over the world. In excess of 1,000,000 typically affluent people visit Santa Fe annually and contribute over \$170,000,000 to the local economy. Santa Fe is home to over 200 art galleries, various museums, and an internationally acclaimed opera house.

### Area Role in New Mexico

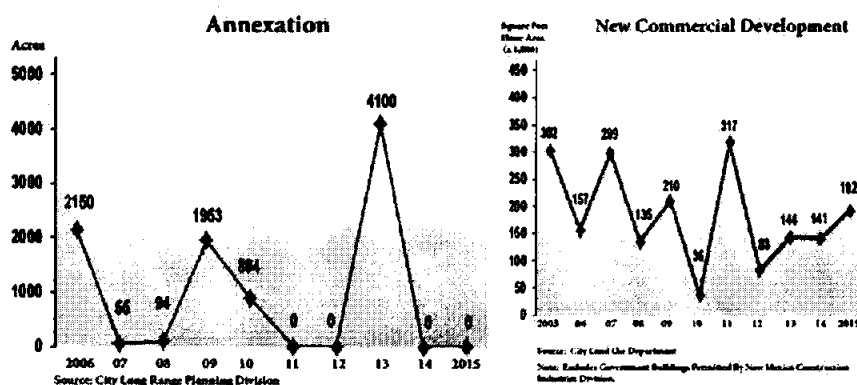
Santa Fe Planning and Land Use has a “General Plan” that encompasses the city of Santa Fe and surrounding areas which include the land within the city limits, land to the north adjacent to Highway 285, land to the east between the city limits and the Santa Fe National Forest, Land to the South between the city limits and along Interstate-25, land to the west including the Municipal Airport, Regional Landfill, Municipal Recreation Complex, and along the Santa Fe Relief Route, Agua Fria Area, excluding the Agua Fria Traditional Historic Community. The plan development started in 1999.

### Annexation

According to the city of Santa Fe planning and land use division, By the end of 2015 the city contained 33,591 acres of land (52.5 square miles) within its corporate limits, which includes a large annexation in 2013.

### New Commercial Development

During 2015, the city approved 192,000 square feet of new commercial development. New retail development added 139,000 square feet. New office development accounted for 27,588 square feet. Industrial/Warehouse added 21,502 square feet.



### Distribution of Uses

According to the “General Plan” distribution of land uses are mostly along major thoroughfares and toward the Santa Fe Plaza. However growth of the city has been increasing away from the plaza while there has been a decrease in retail toward the Santa Fe Plaza.

Santa Fe’s street system and the location of jobs and commercial activity reinforce the radial development pattern of the city. Barring some relatively new streets such as St. Francis Dr and Paseo de Peralta, virtually all major roads lead to Downtown. The Downtown and the adjoining State Capitol Complex (together referred to as the Business Capitol District) are home to about 10,600 jobs, or one-third of the total wage and salary jobs in the Urban Area. This pattern of development has contributed to Downtown’s vitality, and despite parking and congestion problems, it remains a much sought-after business address. A majority of state offices are located at the State Capitol Complex, while most of the rest are located at the South Capitol Complex, which lies southwest of Downtown. To the west and south of the Business Capitol District are generally older, moderate-density residential areas with a mix of housing types. To the northeast and northwest are lower-density residential areas.

Growth of the city has been accompanied by an increase in jobs and a decline in residential population in the Downtown. Increasing distances between residences and the Plaza, and the premium commanded by a Downtown location have resulted in relocation of most community-oriented retail uses to outlying locations. Increasing distances between jobs and residences have also forced an ever-increasing number of commuters onto the same streets.

### Projected Population

Population forecasts contained in the Bureau of Business and Economic Research (BBER) and the related average annual compound rate of growth for each year for Santa Fe County are shown in the following table. The population growth for the county shows a steady increase over 2 years at an average 1% change.

#### Santa Fe County Population Forecast

Year	Population	% Change
2020	165,719	
2025	170,730	3.02%
2030	174,124	1.99%
2035	176,612	1.43%

#### Historical and Projected Population Data: 1980 – 2025

Year	Santa Fe (city) Population Total	Annual Growth Rate*	Santa Fe county Population Total	Annual Growth Rate*	New Mexico Population Total	Annual Growth Rate*
<i>Historical</i>						
1980	49,160	-	75,519	-	1,303,303	-
1990	57,758	1.62%	99,243	2.77%	1,515,069	1.52%
2000	63,286	0.92%	129,713	2.71%	1,821,204	1.86%
2005	69,468	0.94%	137,610	0.59%	1,932,274	0.59%
2009	74,190	0.66%	143,205	0.40%	2,036,802	0.53%
2010	68,130	-0.85%	144,170	0.07%	2,059,179	0.11%
2011	68,669	0.08%	145,395	0.08%	2,078,674	0.09%
2012	69,204	0.08%	146,326	0.06%	2,085,538	0.03%
2013	69,976	0.11%	147,154	0.06%	2,086,895	0.01%
2014 *	82,800	1.70%	147,977	0.06%	2,085,572	-0.01%
2015	83,286	0.06%	148,686	0.05%	2,085,192	0.00%
2016	83,875	0.07%	148,651	0.00%	2,081,015	-0.02%
2017	-	-	-	-	2,088,070	0.03%
<i>Projected</i>						
2020	NA	-	165,719		2,540,145	
2025	NA	-	170,730	0.30%	2,707,757	0.64%

\*includes recent annexation of land on the south side

\*\* annual compound rate of growth

Source: US Bureau of the Census, BBER-UNM

The jobs/housing ratio reflects a long-term effort to better balance employment and housing throughout the county. The following table shows a very steady job/house ratio for Santa Fe County through 2007. For 2008-2011, and as a result of the recession, there was a considerable decrease in job/house ratio in 2009 followed by a steady decrease for 2010 and 2011 with an increase in 2012. Overall, the increased unemployment and decrease in building permits over the last three years has contributed to the drastic decrease in job/house ratio over the last two years.

## Santa Fe County Job/House Ratio

Year	Change in Employment	Units Authorized	Job/House Ratio
2000	1,100	395	2.78
2001	800	537	1.49
2002	1,700	604	2.81
2003	1,400	561	2.50
2004	1,900	555	3.42
2005	2,144	721	2.97
2006	1,659	607	2.73
2007	1,529	504	3.03
2008	-95	560	-0.17
2009	-3,851	163	-23.63
2010	-889	244	-3.64
2011	-724	141	-5.13
2012	919	357	2.57
2013	-411	276	-1.49
2014	-962	326	-2.95
2015	276	272	1.01
2016	21	N/A	N/A

## Employment Trends

The Santa Fe economy originates from primarily two areas, government and tourism. Santa Fe is the headquarters for state, county, local and federal government agencies. The state capitol and legislature are located near the historic center of the city. Some of the larger state and federal agencies in Santa Fe include the state legislature, New Mexico State Highway Department, New Mexico School for the Deaf, New Mexico National Guard Headquarters, the Institute of American Indian Arts and various agencies for the administration of the state's government. Santa Fe draws tourists from all over the globe. Santa Fe's tourists are fortunate that many attractions are within walking distance of downtown hotels. Attractions include Native American ruins, Spanish Colonial landmarks, and the end of the Santa Fe Trail, to name a few. Additionally, Santa Fe is one of the largest art markets in the world.

In itself, Santa Fe is considered the nation's second largest arts market, with a \$1.6 billion annual arts economy. In addition, Forbes Magazine has regularly ranked Santa Fe as one of the best small cities in America for business or a career.

The New Mexico Department of Labor shows the following average annual civilian employment for key jurisdictions for the period from 2008 to Q2 2017. The following table presents historical employment data for Santa Fe County:

**Employment Data – Santa Fe County**

Year	Civilian Labor Force	Employment	Unemployment	Rate
2008	78,172	75,237	2,935	3.8%
2009	76,501	71,479	5,022	6.6%
2010	74,281	69,243	5,038	6.8%
2011	73,636	69,052	4,584	6.2%
2012	73,667	69,401	4,266	5.8%
2013	73,200	69,098	4,102	5.6%
2014	72,277	68,317	3,960	5.5%
2015	72,553	68,658	3,895	5.4%
2016	72,574	68,691	3,883	5.4%
Q2 2017	74,036	69,946	4,090	5.5%

SOURCE: New Mexico Department of Workforce Solutions (current data as of 8/28/2017)



Santa Fe County's average unemployment rate for Q2 2017 was 5.5%. The nation's average unemployment rate was 4.4% and New Mexico's unemployment rate was at 6.4% during the same time. The following table lists the leading employment sectors in Santa Fe County:

**Leading Employment Sectors in Santa Fe County, New Mexico (2016 most recent)**

<i>Leading Sectors</i>	<i>Estimate of Employees</i>
Retail/Wholesale	12,529
Health Care/Social Assistance	11,319
Accommodation/Food Service	9,905
Professional and Technical Services	7,478
Other Services	6,326
Real Estate and rental and leasing	5,297
Art & Entertainment	4,729
Construction	4,529
Administrative & Waste Services	3,556
Educational Services	2,938

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Government, tourism, health care and service industries form the economic base of Santa Fe. According to the New Mexico Department of Labor, 30% of the work force in Santa Fe County are employed by local, state or federal government.

On March 1, 2018 the minimum wage in the City of Santa Fe increased to \$11.40 per hour. This minimum wage is paid by all employers located within the city limits. This applies to all businesses and nonprofit organizations required to have a business license or business registration issued by the city.

Since tourism is a major industry in Santa Fe, lodgers' tax receipts for the City are indicative of economic trends in the area. The lodgers' tax rate for Santa Fe is five percent. Since 2005, lodgers had been taxed an additional two percent for the purpose of funding the convention center completed in 2009. The tax receipts discussed herein are those based on the five percent tax rate for the City of Santa Fe, excluding the Convention Center Fund.

According to the Santa Fe Convention and Visitors Bureau, the city's  $\pm$  5,600 hotel rooms account for more than \$300 million in annual lodging revenues. Lodgers tax receipts levied on hotel and motel room revenues in the city are summarized below:

	<i>Fiscal Year</i>	<i>Fiscal Year</i>	<i>Fiscal Year</i>	<i>Fiscal Year</i>	<i>Fiscal Year</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Lodgers Tax	\$8,153,783	\$8,274,032	\$9,033,880	\$9,746,118	\$10,809,464
% Annual Change	6.35%	1.47%	9.18%	7.88%	10.91%

Source: City of Santa Fe, includes 4% lodgers' tax and 3% convention center lodgers' tax

The city had stabilized growth in lodging receipts during the 1990's and into 2003. In 2007-2008 Santa Fe lodging receipts increased considerably (prior to the economic recession). For 2008-2009, lodging receipts decreased approximately 51.91% concurrent with the onset of the recession. For 2009-2010 lodging receipts increased by 58% compared to the previous year. Lodging receipts have shown relatively strong growth from 2013 through 2016.

Santa Fe has a multitude of retail due to its status as a tourist destination and retirement community. Retail sales have risen consistently every year since the late 1980s. Nearly 1,000 retail outlets serve residents, although some concern has been raised that traditional retail outlets are disappearing due to the rising costs. Retail trade in the city of Santa Fe is a large component of the tourism market and its employment in the past seventeen years has grown from 5,842 jobs in 1990 to 8,878 in 2010. The service sector, including hospitality, eating and drinking establishments, and the retail sector has made the largest employment gains in recent years. At the same time retail employment grew by 6,000 jobs throughout the rest of Santa Fe County. One possible explanation for this anomaly can be the exceedingly high cost of doing business in Santa Fe, pushing many retail establishments outside the city limits.

Most *Retail* development has been in the South-central district, and includes a 120,000 square foot Target store, Old Navy, Trader Joe's, Whole Foods and TJ Maxx. The first Wal-Mart Supercenter was recently developed in the Southwest submarket. Historically the Downtown/ Plaza district maintained a relatively low vacancy rate (approximately 5% to 7%).

Overall, employment trends have remained relatively stable for Santa Fe. The only area of concern regarding the area's economy is its dependence on tourism; however, the presence of the state capital and significant government employment is considered a stabilizing factor which should serve to mitigate any potential fluctuations in the tourism industry.

### **Gross Receipts**

The following table presents gross receipts from retail trade for fiscal years (July through June) through 2016. According to the New Mexico Department of Taxation & Revenue, Santa Fe County taxable gross receipts declined in 2009 and 2010 with an increase in 2011 and a slight decrease in 2012. There were increases in 2013, 2014, and 2015, with a decrease in 2016. The decline in gross receipts has been attributed to a slowing economy with recovery evident over the past few years.

<b>Year</b>	<b>Gross Receipts</b>	<b>% Change</b>
2008	\$3,819,571,021	
2009	\$3,458,071,546	-9.46%
2010	\$3,263,664,564	-5.62%
2011	\$3,336,631,684	2.24%
2012	\$3,322,592,695	-0.42%
2013	\$3,518,618,384	5.90%
2014	\$3,570,702,423	1.48%
2015	\$3,728,956,013	4.43%
2016	\$3,532,147,777	-5.28%
2017*	\$3,025,345,120	-16.75%

\*Annualized Q1 and Q2

SOURCE: <http://bber.unm.edu/gross-receipts> (most recent data as of 1/1/2018)

### Per Capita Income 1998 – 2016: Santa Fe County, New Mexico, US

	<i>Santa Fe County</i>		<i>State of New Mexico</i>		<i>United States</i>	
		<i>% Chng.</i>		<i>% Chng.</i>		<i>% Chng.</i>
1998	\$ 28,062		\$ 21,059		\$ 27,258	
1999	\$ 28,420	1.3%	\$ 21,461	1.9%	\$ 28,333	3.9%
2000	\$ 30,900	8.7%	\$ 22,751	6.0%	\$ 30,318	7.0%
2001	\$ 32,550	5.3%	\$ 24,790	9.0%	\$ 31,145	2.7%
2002	\$ 33,713	3.6%	\$ 25,049	1.0%	\$ 31,462	1.0%
2003	\$ 34,110	1.2%	\$ 25,748	2.8%	\$ 32,271	2.6%
2004	\$ 36,719	7.6%	\$ 27,263	5.9%	\$ 33,881	5.0%
2005	\$ 39,066	6.4%	\$ 28,876	5.9%	\$ 35,424	4.6%
2006	\$ 41,485	6.2%	\$ 30,513	5.7%	\$ 37,698	6.4%
2007	\$ 44,186	6.5%	\$ 32,093	5.2%	\$ 39,392	4.5%
2008	\$ 44,927	1.7%	\$ 33,389	4.0%	\$ 40,166	2.0%
2009	\$ 42,469	-5.5%	\$ 32,992	-1.2%	\$ 39,138	-2.6%
2010	\$ 43,389	2.2%	\$ 33,342	1.1%	\$ 39,937	2.0%
2011	\$ 43,325	-0.1%	\$ 34,575	3.7%	\$ 41,663	4.3%
2012	\$ 46,620	7.6%	\$ 35,805	3.6%	\$ 42,693	2.5%
2013	\$ 46,368	-0.5%	\$ 35,965	0.4%	\$ 44,765	4.9%
2014	\$ 49,037	5.8%	\$ 37,605	4.6%	\$ 46,129	3.0%
2015	\$ 50,684	3.4%	\$ 37,681	0.2%	\$ 48,112	4.3%
2016	\$ 51,461	-	\$ 38,807	3.0%	\$ 49,571	3.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

### Latest Employment News – Santa Fe MSA January 2018 (most recent)

The seasonally adjusted unemployment rate for the Santa Fe MSA was 5.0 percent in December 2017, down from 5.1 percent in November 2017 and 5.2 percent in December 2016. Over the month, not seasonally adjusted total nonfarm employment in December for the Santa Fe MSA contracted by 400 jobs, or 0.6 percent. All losses occurred in the private sector, which was down by 0.8 percent. Employment in the public sector was unchanged from the previous month. Within the private sector, most losses occurred within the private service-providing industries, which were down 300 jobs, or 0.7 percent. Employment in the goods-producing industries was down 100 jobs, or 2.6 percent. Of the 11 private-sector industries, one posted a gain, four posted losses, and six reported no change in employment.

Leisure and hospitality, which grew by 100 jobs, or 1.0 percent, was the only industry to report a gain. Education and health services contracted by 200 jobs, or 1.7 percent. Employment in each of construction (down 3.3 percent), miscellaneous other services (down 3.2 percent), and retail trade (down 1.1 percent) decreased by 100 jobs. The six remaining private industries stayed at their November 2017 employment levels.

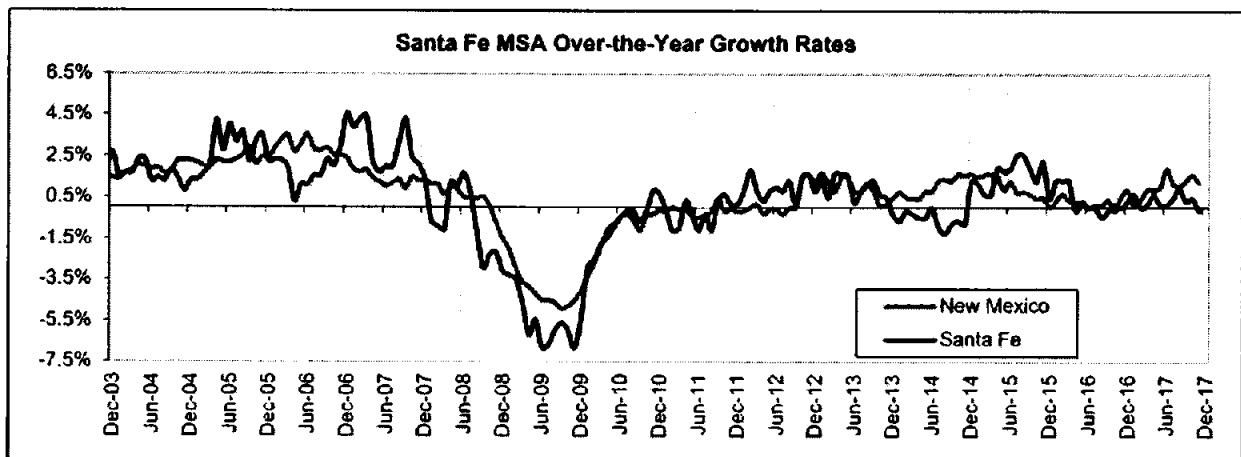
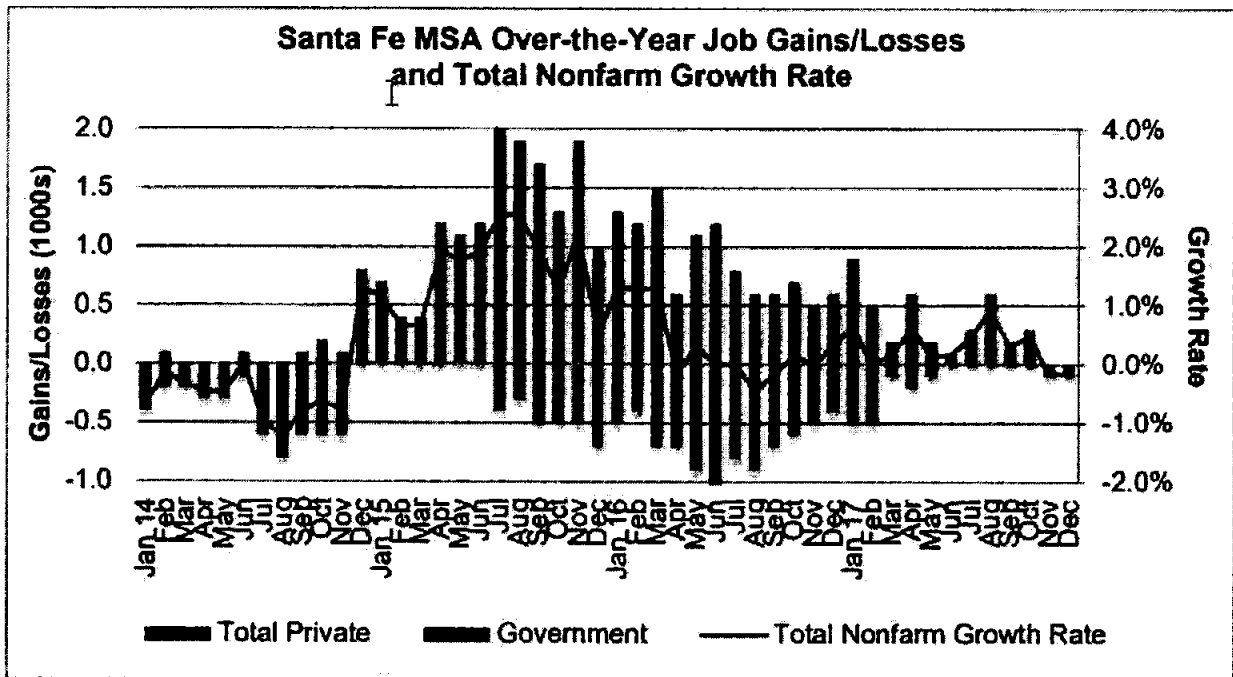
Within the public sector, employment was unchanged from November 2017 both in aggregate and at all component levels (local, federal, and state).

Over the year, total nonfarm employment in the Santa Fe MSA was down 100 jobs, or 0.2 percent. All aggregate losses occurred in the private sector, which was down 0.2 percent. Aggregate public sector employment was unchanged from December 2016. All losses within the private sector came from the private service-providing industries, which were down 300 jobs, or 0.7 percent. The goods-producing industries added 200 jobs, representing a gain of 5.6 percent. Two of the 12 major industry sectors added jobs, four lost jobs, and six posted no change from a year earlier.

Construction reported a gain of 200 jobs, or 7.4 percent. Employment in professional and business services was up 100 jobs, or 2.2 percent. Employment in each of miscellaneous other services (down 3.2 percent), retail trade (down 1.1 percent), leisure and hospitality (down 1.0 percent), and education and health services (down 0.9 percent) was down 100 jobs. The remaining industries reported no change in employment over the year.

Within the public sector, a gain of 100 jobs, or 1.2 percent, in state government was offset by a loss of 100 jobs, or 10.0 percent, in federal government. Local government remained at its year ago employment level.

The accompanying charts display recent employment trends.



Santa Fe tourism darling Meow Wolf is slated to receive an \$850,000 grant from the Local Economic Development Act (LEDA) fund to help finance its expansion. The art collective's immersive House of Eternal Return exhibit sold 400,000 tickets for \$6 million in its first year of operation. The grant is in addition to \$250,000 already received from the City of Santa Fe and \$450,000 from the state's Job Training Incentive Program. Meow Wolf employs about 125 people in New Mexico and plans to expand into Texas and Colorado in the near future.

Santa Fe's Second Street Brewing Co. recently received \$100,000 in Local Economic Development Act funds to open a third location. The City of Santa Fe estimates the new facility will pay more than \$3.5

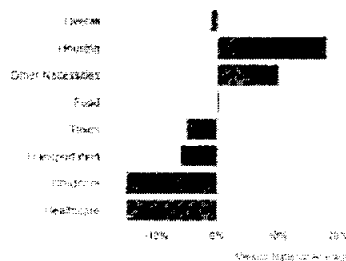
million in taxes and fees over the next ten years. The Rufina Street location will feature a brewery, canning facility, and tap room. According to the company, the new location will employ about 35 people upon opening, possibly in late June, eventually increasing to 51 people. Second Street Brewing's two existing locations employ 30 to 68 people in total, according to the New Mexico Workforce Connection online system.

Santa Fe Brewing Co. has been given the green light to build a taproom in downtown Santa Fe, a short distance west of the Roundhouse. Tesuque Pueblo recently broke ground on a casino and hotel near the Santa Fe Opera, just north of the Santa Fe city limits. The casino is scheduled to open in late 2018, with the hotel to be finished at an unspecified later date. No employment figures are available yet, but the pueblo also owns Camel Rock Casino, which the new casino will replace; Camel Rock employs 100 to 249 people, according to the New Mexico Workforce Connection online system. Camel Rock has been losing business to Buffalo Thunder Resort & Casino at nearby Pojoaque Pueblo since the latter opened in 2008. Talks between pueblo and opera officials regarding noise and light pollution that might affect the opera's famous ambience are ongoing.

Construction has begun on Santa Fe's first Chick-fil-A location. The restaurant is projected to open in early spring 2018 and will be located at the site previously occupied by Asian Restaurant in the College Plaza South shopping center on Cerrillos Rd.. In addition to the College Plaza South space, Chick-fil-A has also purchased land further south on Cerrillos Rd. but has no time line for the second location yet. The company expects to have about 70 employees at the new restaurant.

### Cost of Living

Overall, the cost of living in Santa Fe is 4.1% above the national average and significantly higher than the State of New Mexico, which falls 7% below the national average. Santa Fe is the most expensive city in New Mexico of the five cities include in the Economic Policy Institute's dataset. Housing has historically been the category with the highest index in Santa Fe.



Source: careertrends.com

### Transportation Planning

One of the most controversial issues in the city of Santa Fe is traffic and transportation planning (Rd. congestion, the connection of existing roads, and the construction of new roads). The General Plan proposes a number of new roads to be built in the future. During 2005, the city completed the re-paving and re-striping of St. Francis Dr. The re-striping created an additional lane in each direction between Saint Francis Dr. and I-25. Traffic flow on St. Francis has improved, especially during morning and evening commuting hours. Traffic signals were installed at Second and Lena Streets, at Siringo and Fifth Streets and on Llano at Devargas Middle School. The city's major arterials are listed below with traffic counts by year. The highest count along the arterials is used each year.

Traffic Volumes										
(Average Weekday Traffic/24-Hours)										
Roadway	2006	2007	2008	2009	2010	2011	RED # = volumes that increased from previous year.			
							RED # = volumes that decreased from previous year.			
							2012	2013	2014	2015
<b>St. Francis Drive</b> Zia Rd. & Cerrillos Rd.	48,940	50,328	50,059	50,574	49,273	48,081	45,869	46,861	47,176	48,361
<b>St. Francis Drive</b> Alta Vista & Cerrillos	46,635	-----	40,894	44,883	44,703	44,651	42,818	43,642	44,635	41,918*
<b>I-25 SW</b> La Granga Interchange	35,390	36,493	37,188	33,148	34,205	32,785	32,867	33,310	33,878	35,573*
<b>Cerrillos Road</b> N. of Alta Vista	-----	-----	32,016	32,037	33,397	29,439	31,404	32,502	32,937	32,994
<b>Rodeo Road</b> E. of McDonald Ave.	32,891	29,206	31,899	30,885	29,950	31,004	30,297	28,647	-----	-----
<b>Airport Road</b> Zepeda Rd. & Jensen Rd.	29,010	28,672	27,502	28,615	27,841	28,374	27,870	27,711	26,398	26,842
<b>I-25 S. of US 285</b> Lafayette Interchange	26,011	25,520	23,692	24,259	24,291	23,110	22,966	23,268	23,863	24,645
<b>Agua Fria Street</b> East of Silver Rd.	16,688	17,168	17,524	16,004	13,692	13,816	13,556	12,600	12,252	12,343
<b>Zia Road</b> Cabrera & Velez Rd.	15,330	15,133	14,723	14,248	13,583	13,792	12,906	12,523	12,519	12,714
<b>NM 599</b> N. of I-25 S. of Airport Rd.	14,099	14,755	14,599	13,853	14,649	14,253	14,333	14,305	14,652	15,186
<b>US 285</b> N. of Avenida Vista Grande	13,411	13,431	12,368	12,155	12,100	11,754	11,610	11,657	11,542	11,908
<b>NM 14</b> 2.2 miles S. of I-25	11,237	11,335	11,384	12,083	12,432	12,053	12,411	12,595	12,842	12,473*
<b>West Alameda</b> Jensen Dr. & St. Francis Dr.	10,578	10,871	11,137	11,204	11,795	12,051	11,789	11,552	11,632	11,757
<b>Old Las Vegas Hwy</b> N. of I-25 S. of Airport Rd.	10,002	10,057	9,886	9,768	9,368	9,206	8,971	9,080	8,990	-----
<b>Agua Fria Street</b> Cabrera & Velez Rd. & Jensen Rd.	5,320	5,804	5,922	4,856	5,483	3,380	5,020	4,230	4,043	4,193
<b>East Zia Road</b> E. of Calle de Arroyo	2,975	2,873	2,857	2,839	2,748	2,663	2,681	2,661	2,709	2,695
<b>Bishop's Lodge Rd</b> N. of Camino Grande	3,093	2,940	2,713	2,560	2,600	2,570	2,464	2,334	2,383	2,183

Source: New Mexico Department of Transportation.

\* Partial year count.

Santa Fe's bus system, Santa Fe Trails, began service in January 1993. Santa Fe Trails was the first all Compressed Natural Gas (CNG) fleet in the nation and remains 100% CNG today. "Passenger Trips" provides the most useful indication of how much the system is being used. A "Passenger Trip" is defined as one person riding one direction only (not roundtrip), including all transfers needed to reach a destination. During 2014, the number of passenger trips on Santa Fe Trails decreased by 3.5% over 2013 from 1,074,024 to 1,037,181, perhaps reflecting a rapid decline in gas prices. Route 2 along Cerrillos Rd. accounts for about 50% of the total ridership. Santa Fe Trails operates 22 full-size compressed natural gas (CNG) buses during peak hours, with a total fleet size of 37 buses.

The Rail Runner Express commuter train completed the 7th year of service to Santa Fe. During 2015, the Rail Runner carried 316,670 passengers to and from the "City Different". This accounted for about 34% of the 931,324 passengers the entire system carried between Belen, Albuquerque and Santa Fe. Rail Runner system-wide ridership decreased in 2015 by 12% from 2014. Ridership to Santa Fe decreased by 11% in 2015. The decrease in ridership may have been due primarily to low gasoline prices.

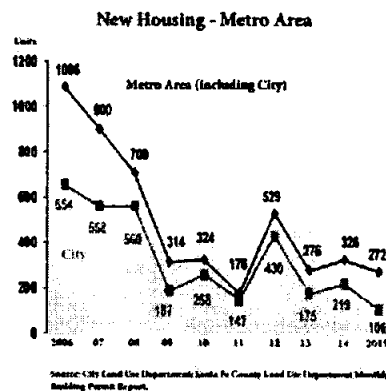
## Building Permits

The following graph summarizes building permits and annual changes for single-family residential development activity for Santa Fe MSA.

## RESIDENTIAL BUILDING PERMITS SANTA FE, NM 1980-2017

Year	# of Permits	% Change
1980	406	-
1990	327	-
2000	354	-
2001	472	33%
2002	582	23%
2003	561	-4%
2004	555	-1%
2005	605	9%
2006	1086	80%
2007	900	-17%
2008	709	-21%
2009	314	-56%
2010	324	3%
2011	176	-46%
2012	529	201%
2013	276	-48%
2014	326	18%
2015	272	-17%
2016	66	-76%
2017	207	214%

Source: SOCDS



### Housing

Santa Fe in recent years has been viewed as an elite place to reside. Consequently, land prices as well as home prices escalated in the early 1990s. The Santa Fe residential market continues to be dictated by “starter” and “production” homes. However, the Santa Fe housing market has been impacted by the dramatic slowdown (since 2007) due to a large number of foreclosures nationwide resulting from questionable mortgage practices.

According to a U.S. News and World Report ([www.usnews.com](http://www.usnews.com)), researchers expect the Santa Fe real estate market will grow at an annual rate of 3.57 percent over the next 10 years. “In the long run, subtracting from the ups and downs of the business cycle, house prices should grow at the rate of household income,” says Mark Zandi, chief economist at Moody’s Economy.com. “If people’s incomes are rising, then they will buy more housing and house prices will rise.” Income growth, in turn, is linked to the strength of the area’s economy. Moody’s Economy.com sifted through employment and population data and analyzed geographic and industry trends to generate 10-year home price projections

for each of the nation's 384 distinct metropolitan statistical areas, everywhere from Abilene, Texas, to Yuma, Arizona. Using this data, U.S. News compiled a list of the top 10 housing markets for the next 10 years. The projected average annual percent change in home prices projected through 2018 follows:

**Projected Annual % Change in Home Prices Through 2018**

Bremerton-Silverdale, Wash.:	5.22%
Glens Falls, N.Y.:	4.71%
Fort Collins-Loveland, Colo.:	4.06%
Corvallis, Ore.:	3.95%
Anchorage, Alaska:	3.80%
Duluth, Minn.:	3.74%
Sandusky, Ohio:	3.66%
Santa Fe, N.M.:	3.57%
Pittsfield, Mass.:	3.51%
Decatur, Ill.:	3.44%

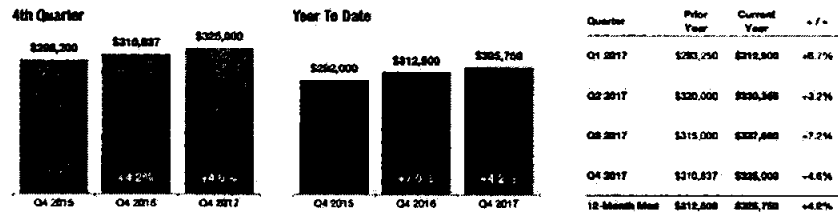
The Santa Fe Association of Realtors (SFAR) reported that in Q4 2017 the average days that a home (single-family, condo and townhome) spent on the market was approximately 81, down 56 days from Q4 2016. Average home prices have increased by approximately 9.7% since Q4 2016 according to SFAR with an average sale price of \$445,056 for Q4 2017.

According to the "Q4 2017 News Release" created by the SFAR, "Overall City and County of Santa Fe home sales jumped by 15% or 457 in the 4th Quarter of 2017 compared to 398 the same quarter last year. The County of Santa Fe median home price rose by 33% from \$381,565 in the 4th Quarter of 2016 to \$508,750 this quarter. During this same period, the City of Santa Fe median home price dropped off 4% from \$338,428 in the 4th Quarter of 2016 to \$325,000 this quarter. The overall volume of home sales rose 8% to \$243.1M in the 4th Quarter of 2017 compared to \$194.2M in the same quarter last year. Condo and townhome sales increased by 12% during the 4th Quarter of 2017 for a total of 128 units sold compared to 114 in the 4th Quarter of 2016. The median price of condos and townhomes rose by 6% from \$254,000 in the 4th Quarter of 2016 to \$270,250 in 2017. Overall land sales decreased by 15% from 67 in the same Quarter of 2016 to 57 this quarter. Total City and County land sale prices increased 31% or \$105,000 in 2016 to \$138,000 this quarter. Inventory of homes for sale fell off from a total of 1,425 in the 4th Quarter of 2016 to 1,254 this quarter or by 12%. With rising interest rates and home price creep, housing affordability fell to an index of 90% of what is necessary to qualify for a median-priced home under prevailing interest rates. "Santa Fe had a strong end to the year in both home sales and total volumes. Inventory has now dropped below six months, something the market hasn't seen in years. With land prices also creeping up raising the cost of construction, sellers should be motivated and begin to Dr the market in 2018," stated Kurt Hill, 2018 President of the Santa Fe Association of REALTORS®."

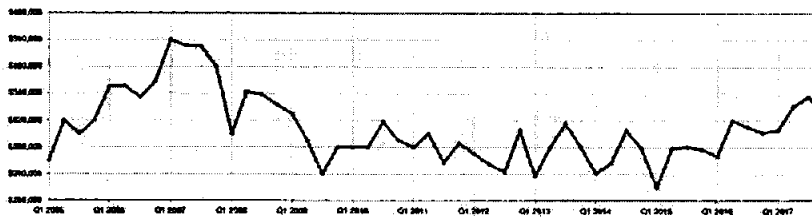


## Median Sales Price

Medians of the sales price for all closed sales, not including the new construction, in a given quarter. Includes all single family, condo and townhome listings in the MSA.



### Historical Median Sales Price



Q1 2017 Median of 4 quarters prior year is \$288,300. Q1 2017 Median of 4 quarters prior year is \$288,300. Q1 2017 Median of 4 quarters prior year is \$288,300. Q1 2017 Median of 4 quarters prior year is \$288,300.

The main problem affecting the Santa Fe market is that it is not affordable to own a home. Rising incomes will be necessary if residents are going to buy homes in Santa Fe, and, according to Mark Boyd, economist with the State Department of Workforce Solutions, New Mexico's personal income growth is expected to increase in 2018.

The City of Santa Fe actively participates in programs that support affordable housing to lower-income residents. Non-profit agencies provide housing, and through contracts administered by the City's Community Development Division, several programs and services are available in Santa Fe.

The City of Santa Fe has adopted an anti-growth policy, especially on or near the Plaza. This has limited construction, and has greatly increased the value of commercial and residential real estate around the City. Moderate growth has occurred in recent years in the southern portions of Santa Fe and surrounding areas near the cities of Espanola and Los Alamos to the northwest.

Santa Fe has been listed as one of the top 10 housing markets in the nation expected to appreciate in the next 10 years. With continued support from City officials, and based on the historical growth patterns within Santa Fe, its long-term future is expected to be positive.

### Summary- Santa Fe Profile

Santa Fe County is currently experiencing moderate growth in population. The tourism industry in the past year appears to have stabilized and it should be noted that readers of Conde Nast Traveler have again designated Santa Fe a top tourist destination in America (Best Small City to visit in America), Travel and Leisure named Santa Fe a Top Ten City for Architecture and Museums and Galleries and CN Traveler designated Santa Fe #4 Best Ski Resort in the US and Canada. Although the local community remains politically fragmented over growth/no growth issues, the present city administration has taken a more positive attitude toward development and business promotion. The City of Santa Fe traces new commercial development by permits. The local community continues to remain politically fragmented over growth/no growth issues, the last major annexation took place in 2013 and by the end of 2015 the city contained 33,591 acres of land. The City of Santa Fe traces new commercial development by permits. For 2015 the City of Santa Fe approved 192,000 SF of new commercial development. The annual average absorption rate in the city of Santa Fe since 2000 for commercial development is approximately 12-15 acres/year. The total housing growth rate averages 1.25% for the city. Apartment construction has

continually decreased since 2008; however, we are aware of two market rate apartment projects currently under construction and another in the planning stages. Building permits are a good indicator of current sales activity and they have decreased considerably since 2008 but showed a notable increase from 2016 to 2017. Santa Fe is stuck in neutral. Employment has been flat for the past four years, and a growth in real average weekly earnings has been minimal over the past three years and are lower than they were in 2007. The long-term prospects for Santa Fe are generally positive, but moderate growth will be the norm for the foreseeable future.

### **Office Market Overview**

The Santa Fe office market has experienced no significant change in supply over the last several years. Vacancies increased from 2008-2011; however, the market appears to have been stabilized since 2012. Discussions with several active market participants indicate that many office users prefer locations within the south-central submarket near St. Michael's Dr. and St. Francis Dr., primarily due to the superior access and parking. Downtown has a strong appeal for certain users due to the neighborhood characteristics and proximity to government and courthouse buildings; however, most new construction has been far south of the Plaza.

### **Occupancy**

According to brokers familiar with the local professional office market, office vacancy ranges from 5% to 20% citywide with some large professional office buildings being recently 100% vacated by State agencies which chose to relocate. Lower vacancy rates are typical of properties in close proximity to the Plaza or within medical clusters.

### **Absorption**

The City of Santa Fe traces new commercial development by permits. Annual city averages include approximately 27,588 SF of office development equating to 14.36% of all commercial development. During 2015 (most recent data) the city approved 192,000 SF of new commercial development, most of which was located along South Cerrillos Rd. just north on Interstate 25.

### **Rental Rates**

Office rental rates vary depending on location, historical appeal of the building, special use, parking, access and visibility. Rental rates for the subject and the subject's neighborhood consisting of the southeast and south-central submarkets of Santa Fe range from \$15/SF to \$29/SF (NNN).

### **Office Outlook**

The outlook for the Santa Fe office market is for continued stability. Santa Fe had experienced moderate continued growth until 2007 when construction peaked at approximately 153,000 SF, and was then followed by a steady decline from 2008 to 2018. Construction of built-to-suit and owner-occupied properties is generally confined to the areas away from the Plaza toward the southwest end of town along Cerrillos Road and Airport Road. Vacancy rates and lease rates are expected to remain unchanged for the foreseeable future.

### **Neighborhood Description**

The subject property is located within the southwest quadrant of Santa Fe along the south side of St. Michael's Drive just east of Cerrillos Rd. The neighborhood boundaries are delineated as follows:

- 1) St. Francis to the east
- 2) Rodeo Rd. to the south
- 3) Cerrillos Rd. to the west

#### 4) Alta Vista to the north

##### **Access:**

St. Michaels Drive, a primary east-west commercial corridor, is to the immediate north and connects with St. Francis drive and Cerrillos Road. Overall, access to the neighborhood is characterized as good.

##### **Existing Development:**

Major land uses or developments affecting the neighborhood:

St. Vincent's Hospital

U.S. Social Security Administration.

Santa Fe High School

Santa Fe Public Library

Nava Elementary School

There are virtually no available tracts of vacant land in the area. Surrounding land uses consist of a mix of older and newer average quality single-family residential developments and manufactured home parks fronting minor collector streets with most commercial developments fronting St. Michael's Drive and Cerrillos Rd. Commercial properties in the area consists of professional office buildings, strip and free-standing retail buildings, car dealerships, grocery stores, quick-service restaurants and gas stations/convenience stores. To the northeast of the subject along St. Michael's Drive is St. Vincent's Hospital. St. Francis Drive and Cerrillos Rd. both highly congested primary arterials which provide immediate access to I-25 to the south are located east and west of the subject property. The majority of commercial developments within the immediate neighborhood are approximately 30 years of age mixed with newer developments. Newer, good quality single-family residential development is located east and south of the subject property along minor collector streets off of Siringo Rd., Rodeo Rd. and Old Pecos Trail. To the immediate northwest at the corner of St. Michael's Dr. and Cerrillos Rd. is College Plaza, an older strip retail center occupied by PetCo, Hobby Lobby, Ace, Dion's, Weeks, etc. To the immediate north, fronting the north side of St. Michael's Dr. is Toyota of Santa Fe. To the immediate west of St. Michael's Village West, an older strip retail building occupied by Harbor Freight Tools, Tecolote, etc. The subject's neighborhood is considered to be within the stabilized phase of its life cycle. Inspections of the neighborhood revealed few recently completed or planned commercial development. The outlook for the immediate neighborhood is for continued stabilization.

##### **Site Description**

The campus master site contains a total of 64.22 acres, its irregular in shape and mostly at street grade. There are several utility easements and ingress and egress and access easements throughout the site which do not appear to negatively impact the site's utility for existing development or potential redevelopment. The site is zoned R-5 which allows for residential uses with low population densities. Additional allowable uses under current zoning include group residential facilities, manufactured homes, single-family residences, police substations, small day care facilities, public parks and college, universities, community centers, institutions, grocery stores and museums with special use permits. The subject is currently a legal conforming use under current zoning of the land. However, it is owned by the City of Santa Fe and therefore additional allowable uses could be permitted. Immediate access into the subject property main campus is provided by private access driveway along the south side of St. Michael's Drive. The site is served by all public utilities. The topography appears to allow for adequate drainage and is not in a flood zone according to FEMA. Site improvements include concrete walkways, asphalt-paved and dirt parking spaces, concrete sidewalks and average quality mature landscaping.

## Real Estate Taxes

Parcel ID #: 1-052-097-219-090 (Garson Communications and The Screen) and 1-052-097-137-176 (Benildus, Thaw, Greer Garson Theater). Account #:99307389 (Garson Communications and the Screen) and 99304423 (Benildus, Thaw, Greer Garson Theater). The subject buildings are owned by the City of Santa Fe and are not assessed and are currently exempt from property taxes.

## Building Descriptions

The following table depicts the building descriptions for each one of the five buildings:

Buildings	Building Type	Size	Quality	Condition	Actual Age	Effective Age	Building Descriptions
Benildus "As Is" (Building #23)	Classroom/School	27,757	Good	Good	1963/ 2005	20 years	The building is a masonry construction with painted stucco exterior walls with brick and stone accents. The foundation is reinforced concrete. The roof is built-up tar and gravel. The interior consists of painted gypsum board walls and ceilings, terrazo, tile and carpet flooring and suspended acoustic tile ceilings with recessed fluorescent lighting. HVAC consists of roof mounted units. There are four interior stairways and an elevator. The building is fully sprinkled.
Garson Communications Building "As Is" (Building 15)	Office	20,368	Average	Average	1991	20 years	The building is a two-story tilt-up concrete construction with painted stucco exterior walls demised into a reception area, several offices, conference rooms, break rooms, restrooms and classrooms. The foundation is reinforced concrete. The roof is built-up modified bitumen. The interior consists of painted gypsum board and block walls, ceramic tile, hardwood and carpet flooring and suspended acoustic tile ceilings with recessed and mounted fluorescent lighting. There are two interior stairways and an elevator. HVAC consists of roof mounted units. The building is fully sprinkled.
The Screen "As Is" (Building # 16)	Movie Theater	4,083	Average	Average	1991	20 years	The building is a CMU construction with stucco exterior walls demised into a single screen movie theater, offices and reception/lobby area. The foundation is reinforced concrete. The roof is built-up modified bitumen. The interior consists of painted gypsum board and block walls, ceramic tile, hardwood and carpet flooring and suspended acoustic tile ceilings with recessed and mounted fluorescent lighting. HVAC consists of roof mounted units. The building is fully sprinkled.
Garson Theater "As Is" (Building #1)	Production Theater	32,628	Good	Average	1965	30 years	The building is a masonry construction with exposed concrete exterior walls. The space is a 500-seat performance/production theater. The foundation is reinforced concrete. The roof is single layer membrane. The interior consists of exposed brick, wood and painted gypsum board walls, terrazo tile, vinyl composite tile and carpet flooring, and painted gypsum board ceilings with incandescent light fixtures. HVAC consists of roof mounted units. There is one stairway. The building is fully sprinkled.
Thaw Art History Building "As Is" (Building #28)	Office	15,046	Average	Average	1998	15 years	The building is a two-story steel frame construction with stucco exterior walls. The space is demised into a reception area, a break room, several offices, a conference room, a library and several classrooms. The foundation is reinforced concrete. The roof is built-up TPO membrane. The interior consists of painted gypsum board walls and ceilings, stained concrete and carpet flooring, and painted gypsum board ceilings with recessed fluorescent & incandescent light fixtures. HVAC consists of roof mounted units. There is one interior stairway.

## **Highest and Best Use**

### *As Though Vacant*

Based on the four highest and best use criteria (legally permissible, physically possible, financially feasible and maximally productive), it is our opinion that the highest and best use of the site as though vacant is for either single or multi-family residential, mixed use or institutional use. This analysis is based upon the trends and development patterns observed, the allowable uses under current zoning of the land and the location of the subject property.

### *As Is*

#### **Benildus**

The existing improvements contribute significant value over and above the value of the site as though vacant. The subject improvements have a fairly basic floor plan and are functionally suited for classroom/school use. Furthermore, the subject is located within the SFUAD campus, an area which is characterized by similar institutional/office development making the existing improvements consistent and compatible with surrounding land uses. Finally, the cost to convert the subject to an alternate use is not financially feasible at this time. We believe the highest and best use of the subject is for **classroom/school use**.

#### **Garson Communications Building**

The existing improvements contribute significant value over and above the value of the site as though vacant. The subject improvements have a fairly basic floor plan and are functionally suited for professional office use. Furthermore, the subject is located within the SFUAD campus, an area which is characterized by similar institutional/office development making the existing improvements consistent and compatible with surrounding land uses. Finally, the cost to convert the subject to an alternate use is not financially feasible at this time. We believe the highest and best use of the subject is for **professional office use**.

#### **The Screen**

The existing improvements contribute significant value over and above the value of the site as though vacant. The subject improvements have a fairly basic floor plan and are functionally suited for single-screen movie theater use. Furthermore, the subject is located within the SFUAD campus, an area which is characterized by similar development making the existing improvements consistent and compatible with surrounding land uses. Finally, the cost to convert the subject to an alternate use is not financially feasible at this time. We believe the highest and best use of the subject is for **movie theater use**.

#### **Greer Garson Theater**

The existing improvements contribute significant value over and above the value of the site as though vacant. The subject improvements have a fairly basic floor plan and are functionally suited for production theater use. Furthermore, the subject is located within the SFUAD campus, an area which is characterized by similar development making the existing improvements consistent and compatible with surrounding land uses. Finally, the cost to convert the subject to an alternate use is not financially feasible at this time. We believe the highest and best use of the subject is for **continued theater use**.

**Thaw**

The existing improvements contribute significant value over and above the value of the site as though vacant. The subject improvements have a fairly basic floor plan and are functionally suited for professional office use. Furthermore, the subject is located within the SFUAD campus, an area which is characterized by similar institutional/office development making the existing improvements consistent and compatible with surrounding land uses. Finally, the cost to convert the subject to an alternate use is not financially feasible at this time. We believe the highest and best use of the subject is for **professional office use**.

## **INCOME APPROACH**

### **SUMMARY OF RENTAL RATES**

An investigation was performed for comparable rentals in the City of Santa Fe. An extensive search was completed within comparable markets for the two special use properties (theater and movie theater). Our rental search included four different property types including professional office, school, theaters and movie theater uses.

In the local market, the typical modified gross lease is structured with the landlord being responsible for management, property taxes, insurance, structural repairs and maintenance, and management and administration fees. However, the subject buildings are not separately metered and at the request of the client an atypical modified gross lease structure is assumed for the subject property. In this instance the landlord is responsible for management, property taxes, insurance, structural repairs and maintenance, common area maintenance and utilities. The tenant is responsible for janitorial and minor repairs and maintenance. The leases have been adjusted to reflect the subject's modified gross lease structures accordingly. Overall, the triple net leases were adjusted upward \$1.50 to \$2.50 per square foot to reflect a modified gross lease structure. The full service leases were adjusted downward for repairs/maintenance, utilities (gas, electric, water, sewer, refuse) and janitorial expenses to reflect modified gross leases between \$3.00 and \$4.00 per square foot.

**The owners, developers, and real estate brokers involved with the following lease agreements have allowed us to provide expiration dates for these leases for this report; however, they asked that the dates be kept confidential by the user of the report and any affiliates, subsidiaries, and/or assigns of the report and the information cannot be utilized for any other purposes by the intended user of the appraisal other than for determination of a rental rate for the subject space. The reason for this request is that New Mexico is a non-disclosure State and considering the current economic climate, there are concerns that other parties would attempt to lure tenants to other buildings if the expiration dates became public knowledge. As such, full data sheets for the comparables will not be provided. We have included maps and photos of the rent comparables in the Addenda.**

## GARSON COMMUNICATIONS BUILDING AND THAW BUILDINGS

The following chart summarizes renta information for larger professional office space in Santa Fe:

### Summary of Professional Office Rent Comparables

Comp #	Address	Tenant	Size	Year Built	Rent/SF	Lease Type	MG Rent/SF	Expiration Date	Comments
1	683 Harkle Rd., Santa Fe, NM	Flow Science	8,354	2000	\$15.01	NNN	\$17.51	2022	Absolute Net- tenant reimburses for management expense
2	460 St. Michaels Dr., Santa Fe, NM	Unknown	1,601	2000	\$19.00	MG	\$19.00	2020	Tenant pays for utilities and janitorial
3	2055 Pacheco St., Santa Fe, NM	Optometrist	3,390	2005	\$20.00	NNN	\$21.75	2021	Tenant reimburses landlord for all expenses
4	1474 Rodeo Rd., Santa Fe, NM	Department of Health	7,957	1988/2016	\$21.25	FS	\$18.25	2026	1.4% annual escalations
5	1474 Rodeo Rd., Santa Fe, NM	NM Treasury Department	9,260	1988/2016	\$20.75	FS	\$17.75	2026	1.4% annual escalations
6	525 Camino de los Marquez, Santa Fe, NM	NM Environment Department	21,707	1965	\$21.23	FS	\$18.23	2025	annual increases, 90-day termination clause
7	2040 S. Pacheco St., Santa Fe, NM	Department of Health	34,210	1990	\$16.07	FS	\$13.07	2023	3% annual increases, two 5-year renewals
8	1474 Rodeo Rd., Santa Fe, NM	Human Services Department	37,478	1988/2016	\$19.93	FS	\$16.93	2023	Two 5-year renewals 1.6% annual escalations
9	2440 Camino Edward Ortiz, Santa Fe, NM	State Auditor, Voc. Department	17,311	2009	\$24.08	FS	\$21.08	2029	annual increases, 90-day termination clause
10	100 Guadalupe St., Santa Fe, NM	Card Labs	18,000	1995	\$16.00	NN	\$16.00	2028	2% annual escalations
11	220 N. Guadalupe, Santa Fe, NM	Kure Cannabis	3,169	1976	\$15.15	MG	\$15.15	2020	3% annual escalations
12	1301 Siler Rd., Santa Fe, NM	Human Services Department	10,205	2007	\$21.00	FS	\$18.00	2026	annual increases, 90-day termination clause
13	1920 5th, Santa Fe, NM	CYFD	28,126	2004	\$22.50	FS	\$19.50	2023	annual increases, 90-day termination clause
14	1301 Siler Rd., Santa Fe, NM	Department of Health	18,009	2007	\$19.55	FS	\$16.55	2026	annual increases, 90-day termination clause
15	39 Plaza la Prensas, Santa Fe, NM	Human Services Department	38,007	2009	\$21.40	FS	\$18.40	2023	annual increases, 90-day termination clause
16	435 St. Michaels Dr., Santa Fe, NM	Division of Vocational Rehabilitation	24,750	1998	\$26.75	FS	\$23.75	2018	annual increases, 90-day termination clause
Average			17,596				\$18.18		

### DISCUSSIONS OF THE PROFESSIONAL OFFICE LEASES

The office leases range in size from 1,607 SF to 37,478 SF, with the average size of approximately 17,596 SF. The rates range from \$13.07/SF to \$23.75/SF (modified gross or adjusted to reflect modified gross lease structures) with an average of approximately \$18.18/SF and a median of \$18.12/SF. The locations vary as do the quality and effective ages of the facilities. Out of the 16 leases summarized above, only one is set to expire this year with the remaining leases expiring between 2020 and 2029. The majority of larger office space in Santa Fe is occupied by State government agencies with a few occupied by federal, county and municipal agencies. There are very few large office spaces occupied by private sector tenants in the city (Rent 10). All of the comparable leases are located within Santa Fe.

### DISCUSSIONS OF LISTINGS

We searched the Commercial Association of Realtors New Mexico (CARNM) database for current listings of office space available for lease in Santa Fe. We limited the search to spaces containing roughly 5,000 SF to 30,000 SF. There are currently 25 office spaces in 11 buildings, with asking rates ranging from a low of \$15.50 to a high of \$25/SF (modified gross or adjusted to reflect modified gross). The readers should note the rental rate is for the real estate only and does not include FF&E.



## CONCLUSION

Based on the use limitations of the space and assuming no tenant improvement allowances, no leasing concessions (free rent), a modified gross lease structure, lease terms ranging from three to ten years and annual CPI escalations, the following conclusions are made:

Considering the subject's location within a former college campus, the quality and condition of the buildings, the size of the subject space and the amount of parking, we conclude an opinion of market rent at \$15/SF modified gross for the Garson Communications Building "As Is" (20,368 SF x \$15.00/SF = \$305,520 annually, or \$25,460 per month). We conclude a modified gross rent for the Thaw Art History Building "As Is" at \$16.00/SF (15,046 SF x \$16.00/SF = \$240,736 annually or \$20,061 per month). These opinions of market rent reflect reasonable marketing time of less than one year. The readers should note the rental rate is for the real estate only and does not include Furniture, Fixtures & Equipment (FF&E). However the right to use the FF&E increases the subject's marketability and likely improves the subject's appeal relative to comparable facilities.

## BENILDUS BUILDING

The reader should note that the majority of private schools and universities typically own their real estate or pay rental rates based on their school year budget. The following chart summarizes the lease information for Charter Schools in Santa Fe.

### Summary of Charter School and School Rents

C'camp #	Address	Tenant	Size	Year Built	Rent /SF	Lease Type	MG Rent/SF	Expiration Date	Comments
1	50 Mount Carmel, Santa Fe, NM	NM School for the Arts	14,088	1961	\$7.73	NNN	\$9.48	2019	The term renews every year for 10 months
2	74 A Van Nu Po Rd., Santa Fe, NM	The Academy of Technology and the Classics	28,865	2007	\$16.24	NNN	\$17.99	2030	
3	4601 Mission Bend, Santa Fe, NM	Tierra Encantada Charter School	28,500	2007	\$9.47	NNN	\$11.22	2022	Option to purchase the school at any time for \$6,750,000
4	13A San Marcos Loop, Santa Fe, NM	Turquoise Trail Community Charter	34,400	1990	\$9.39	NNN	\$11.14	2025	Projected expansion for 2018
5	4157 Walking Rain Rd., Santa Fe, NM	Monte del Sol Charter School	32,071	2010	\$7.91	NNN	\$9.66	2020	School is planning to expand into lot to the south
6	515 Camino Arbolera, Espanola, NM	McCurdy Charter School	38,707	2017	\$12.92	NNN	\$14.67	2047	30-year lease. There are two other buildings school will lease (Gym and Cafeteria) for an undisclosed amount
7	257 E. Alameda, Santa Fe, NM	NM School for the arts	38,029	1965	\$4.60	NNN	\$6.35	2019	The school will move to a new facility in 2019
	Average		30,666				\$11.50		

## DISCUSSIONS OF CHARTER SCHOOL AND SCHOOL LEASES

The leases range in size from 14,088 SF to 38,707 SF and average approximately 30,066 SF. The rates range from \$6.35/SF to \$17.99/SF (modified gross or adjusted to reflect modified gross lease structures) with an average of approximately \$11.50/SF and a median of \$11.14/SF. The locations vary as do the quality and effective ages of the facilities. Two of the leases are set to expire in 2019. These leases are for the NM School for the Arts which will be consolidating and moving into a new 72,000 SF facility at the Railyard. All the leases are based on each school's budget with a maximum of 20% of the total budget being allocated to lease payments. Anything above this benchmark would create strain on a school (either private or public). The rent comparables are located within Santa Fe with one of the rents located in Espanola.

## DISCUSSIONS OF LISTINGS

We searched the Commercial Association of Realtors New Mexico (CARNM) and Santa Fe MLS data base for current listings of school space available for lease in Santa Fe. There are currently no active listings for schools in Santa Fe.

## CONCLUSION

Based on the use limitations of the space and assuming no tenant improvement allowances, no leasing concessions (free rent), a modified gross lease structure, lease terms ranging from three to ten years and annual CPI increases, the following conclusion is made:

Considering the subject's location within a former college campus, the quality and condition of the buildings, the size of the subject space and the amount of parking, we conclude an opinion of market rent at \$11.00/SF modified gross for the Benildus Building "As

Is" building (27,757 SF x \$11.00/SF = \$305,327 annually, or \$25,444 per month). This opinion of market rent reflects a reasonable marketing time of less than one year. The readers should note the rental rate is for the real estate only and does not include FF&E. However the right to use the FF&E increases the subject's marketability and likely improves the subject's appeal relative to comparable facilities.

## GARSON THEATER

The following chart summarizes the lease information for Production Theaters nationally:

### Summary of Production Theater Rents

Comp #	Address	Tenant	Size	Size	Year Built	Rent/SF	Lease Type	MG Rent/SF	Expiration Date	Comments
1	2401 West Wisconsin, Milwaukee, WI	Eagles Entertainment, Inc.	180,000	208,652	1927	\$3.83	MG	\$3.83	2019	The lessee carries costs related to the staging of all performances. Lessor pays for taxes
2	408 St. Peter Street, St. Paul, MN	Conservatory for Performing Arts	14,000	Unknown	1919	\$17.00	FS	\$8.50	2020	Expenses \$10/SF
3	1401 N. Aspen Ave., Broken Arrow, OK	Theaters Arts Inc.	11,092	100,188	2008	\$15.00	NNN	\$16.75	2026	Theater within a strip retail building
4	625 S. 4th Street, Louisville, KY	Live Nation	17,896	27,007	1928/1994	\$16.00	NNN	\$17.75	2019	Louisville Palace Theater lease
5	118 Summer St., Stamford, CT	Bow Tie Music	20,000	Unknown	1939/1997	\$20.00	NNN	\$21.75	2032	3% increases every 5 years
	Average							\$13.72		
6	928-940 S. Figueroa St., Los Angeles, CA	Hilltop Church	50,597	24,683	1923/2018	\$29.65	NNN	\$31.40	2030	4% annual escalations \$45 Tis. 1000 seat theater
7	2603-2665 Mission St., San Francisco, CA	Gray Area Foundation	10,000	9,148	1940	\$30.00	NNN	\$31.75	2024	CPI increases. Space "as is" no Tis. No on-site parking
8	2822 State St., Colliad, CA	Marshall Silver, Turning Point Seminars	8,355	7,000	1927/1995	\$31.20	NNN	\$32.95	2023	5 year lease with one 5-year option 3% annual increases built 1927
9	378 West Las Colinas Blvd., Irving, TX	Live Nation	100,000	731,808	2016	\$25.00	NNN	\$26.75	2027	8,000 outdoor/indoor amphitheater part of a development containing 412,155 SF
	Average		45,771					\$30.71		

## DISCUSSIONS OF CHARTER SCHOOL AND SCHOOL LEASES

We have separated the rental information into two location categories, secondary/tertiary markets and primary markets. The leased theaters range in size from 8,355 SF to 180,000 SF and average approximately 45,771 SF. The secondary/tertiary market rental rates range from \$3.83/SF to \$21.75/SF (modified gross or adjusted to reflect modified gross lease structures) with an average of approximately \$13.72/SF and a median of \$16.75/SF. The primary market rents range from \$26.75/SF to \$32.95/SF (modified gross or adjusted to reflect modified gross lease structures) with an average of approximately \$30.71/SF and a median of \$31.58/SF. The locations vary as do the quality and effective ages of the comparable facilities. We place minimal emphasis on the comparable rents located in primary markets. We have also considered that production space is typically leased on a per event basis depending on the type of production or user and that rates vary considerably, depending on the user (graduation, ceremony, theater company, etc.)

## CONCLUSION

Based on the use limitations of the space and assuming no tenant improvement allowances, no leasing concessions (free rent), a modified gross lease structure, lease terms ranging from three to ten years and annual CPI increases, the following conclusion is made:

Considering the subject's location within a former college campus, the quality and condition of the buildings, the size of the space and the amount of parking, we conclude an opinion of market rent at \$10.00/SF for the Garson Theater "As Is" (32,628 SF x \$10.00/SF = \$326,280 annually, or \$27,190 per month). This opinion of market rent reflects a reasonable marketing time of less than one year. The readers should note the rental rate is for the real estate only and does not include FF&E. However the right to use the FF&E increases the subject's marketability and likely improves the subject's appeal relative to comparable facilities.

## THE SCREEN THEATER

The typical rental measurement for movie theaters is rent per screen. The following chart summarizes the lease information for Movie Theaters nationally:

### Summary of Movie Theater Rents

Comp #	Address	Tenant	Size	Screen	Rent/SF	Lease Type	NNN	MG	Rent/SF	Exp	Comments
1	9160 SW Renvention Hillsdale Hwy, Beaverton, OR	VHTech Arena	14,000	1	\$ 6.00	NNN	\$		7.75	\$	5-year lease. Theater part of larger retail center
2	636 NW 21st Ave., Portland, OR	Cinema 21	6,000	1	\$ 7.00	NNN	\$		8.75	\$	10-year lease. CPI increases
3	1462 Tied Town Rd., Natick, MA	Collins Road Theaters	16,515	5	\$ 7.00	NNN	\$		8.75	\$	5-year lease. CPI increases
4	3013 Central Ave., Albuquerque, NM	Cabary Chapel	10,100	1	\$ 5.45	MG	\$		7.00	\$	Former Ibb Theater One screen leased to Cabary Chapel
5	820422 Bay St, Port Orchard, WA	Dragonfly Cinema	8,692	1	\$ 6.01	MG	\$		7.56	\$	Built in the 1920s
6	9620 Monroe Rd., Charlotte, NC	Cinemark USA, Inc.	52,022	12	\$ 8.52	NNN	\$		10.27	\$	15 year lease 10% escalations every 5 years. 12 screens
7	18265 E. Stage Run Rd., Parker, CO	Kiggins Theater	8,100	4	\$ 7.41	MG	\$		11.49	\$	2 year lease
8	1011 Milan Street, Vancouver, WA	Twenty Mile Stadium 10	34,142	10	\$ 10.54	NNN	\$		12.29	\$	15 year lease
9	5063 NW Loop 410, San Antonio, TX	Cinemark Movies 16	44,904	16	\$ 9.66	MG	\$		11.21	\$	Built in 1988. Three 2-year options. Flat
10	6185 Sky Pkwy, Loveland, CO	Metroplex 14	50,000	14	\$ 11.47	NNN	\$		13.22	\$	Built in 2005. First 5 year renewal with 10% escalations every 5 years.
11	Confidential, El Centro, CA	UltraStar	54,977	12	\$ 13.22	NNN	\$		14.97	\$	15 year lease, escalations every 5 years.
12	3780 Gulfshores Parkway, Gulfshores, AL	Cobb	53,170	14	\$ 13.22	NNN	\$		14.97	\$	
13	1600 South Stemmons Fwy., Lewisville, TX	Studio Movie Grill	35,278	9	\$ 13.57	NNN	\$		15.32	\$	15 year lease. 5% increases every 5 years
14	5546 Philadelphia St., Chino, CA	Cinemark Movies 8	24,742	8	\$ 14.00	NNN	\$		15.75	\$	NOI \$346,388
15	201 Skyline Dr., Conway, AR	Cinemark	38,890	12	\$ 14.50	NNN	\$		16.25	\$	15 year lease. Increases every five years with four 5-year options
16	1225 N. 200 E., Logan, UT	University Stadium 6	23,797	6	\$ 14.95	NNN	\$		16.70	\$	Built in 2007. NOI \$350,202. 3 year remaining and one 5-year option
17	3220 23rd Ave., Council Bluffs, IA	Kinrosses Multiplex Theater	54,972	17	\$ 15.42	NNN	\$		17.17	\$	Includes an IMAX theater
18	401 Woodlawn Ave., Dulane, CA	Maya Cinemas	45,518	12	\$ 15.82	NNN	\$		17.57	\$	
19	6100 North Freeway, Fort Worth, TX	Regal	50,766	11	\$ 16.02	NNN	\$		17.77	\$	15 year lease, two 5-year renewals, 2% annual escalations
20	777 E. Merrill Island, Merril Island, FL	CB Theater Experience, LLC	65,450	16	\$ 16.25	NNN	\$		18.00	\$	four 5-year options (10% increases every 5 years)
21	8141 E. Arapahoe, Englewood, CO	Regal	49,032	12	\$ 16.32	NNN	\$		18.07	\$	Built in 1992
22	100 Meijer Dr., Michigan City, IN	AMC Showplace	55,514	14	\$ 18.02	NNN	\$		19.77	\$	CPI increases every 5 years capped at 10%. Built in 2005
23	9840 North Gateway, El Paso, TX	Carnike 16	60,284	16	\$ 19.85	NNN	\$		21.60	\$	4.67% every five years
24	1300 E. Tucson Marketplace Blvd., Tucson, AZ	Cinemark USA, Inc.	53,678	14	\$ 21.00	NNN	\$		22.75	\$	15 year lease
25	3236 La Olla Rd., Albuquerque, NM	Flx Brewhouse NM, LLC	38,500	8	\$ 22.00	NNN	\$		23.75	\$	15 year lease escalations every 5 years
26	120 W. Loop 289, Lubbock, TX	Alamo Draft House	33,167	8	\$ 22.55	NNN	\$		24.30	\$	Built in 2014. NOI \$748,125
27	21720 Allen Rd., Woodhaven, MI	AMC	42,000	10	\$ 25.00	NNN	\$		26.75	\$	12-year corporate booked lease
28	232 Burwash Ave., Savoy, IL	Cinadach Quality Theaters, Inc.	46,937	16	\$ 25.21	NNN	\$		26.96	\$	15 year lease five 5-year options 2% increases. Built in 1990
Average			39,326		\$ 14.45		\$		\$	\$	67,971.56

## DISCUSSIONS OF CHARTER SCHOOL AND SCHOOL LEASES

The leases range in size from 6,000 SF to 84,972 SF and average approximately 39,326 SF. The rates range from \$23,258/screen to \$114,296/screen (modified gross or adjusted to reflect modified gross lease structures) with an average of approximately \$67,972/screen and a median of \$67,615/screen. The locations vary as do the quality and effective ages of the facilities. The higher end of the range is representative of facilities which offer restaurant and bar services, similar to the Violet Crown in Santa Fe. Numerous attempts to obtain the lease for the Violet Crown were unsuccessful. We also obtained information on Cinema Café in Santa Fe located at St. Michael's Village immediately north of the subject property. The listing broker mentioned that this facility is in poor condition and needs a sprinkler system. The owner is reportedly unwilling to incur the cost to install the sprinkler system.

However, the broker mentioned that if the space was refurbished and leased, the asking lease rate would be \$8/SF. The space is approximately 3,500 SF and has one screen, at a lease rate of \$8/SF the rental rate would equate to \$28,000/screen.

## **CONCLUSION**

Based on the use limitations of the space and assuming no tenant improvement allowances, no leasing concessions (free rent), a modified gross lease structure, lease terms ranging from three to ten years and annual CPI escalations, the following conclusion is made:

Considering the subject's atypical location within a former college campus,, the quality and condition of the building, the space size and the amount of parking, we conclude an opinion of market rent at \$32,664/screen, \$2,722/month or \$8/SF for The Screen Space "As Is." This opinion of market rent reflects a reasonable marketing time of less than one year. The readers should note the rental rate is for the real estate only and does not include FF&E. However the right to use the FF&E increases the subject's marketability and likely improves the subject's appeal relative to comparable facilities.

## CONCLUSIONS OF OPINION OF MARKET RENTAL RATE

We conclude the following opinion of market rent for the subject:

<b>Buildings</b>	<b>Effective Date of Value</b>	<b>Lease Structure</b>	<b>Opinion of Market Rent Per SF</b>	<b>Opinion of Market Rent Per Month</b>	<b>Opinion of Market Rent Annually</b>
Benildus "As Is"	August 28, 2018	Modified Gross	\$11.00	\$25,444	\$305,327
Garson Communications Building "As Is"	August 28, 2018	Modified Gross	\$15.00	\$25,460	\$305,520
The Screen "As Is"	August 28, 2018	Modified Gross	\$8.00	\$2,722	\$32,664
Garson Theater "As Is"	August 28, 2018	Modified Gross	\$10.00	\$27,190	\$326,280
Thaw Art History Building "As Is"	August 28, 2018	Modified Gross	\$16.00	\$20,061	\$240,736

## CERTIFICATION

The undersigned certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- this appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.
- Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Kathleen Burmeister and Anthony Kuna have inspected the subject property, the neighborhood, and the comparables used in arriving at the market rent reported. The research, analysis and report were completed by Anthony Kuna and Kathleen Burmeister.
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
- We have not provided any services pertaining to the subject property within the three-year period preceding the effective date of this appraisal.
- We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Kathleen Burmeister and Anthony Kuna have completed the continuing education requirements of the Appraisal Institute for the MAI Designation.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

Respectfully submitted,

DOMINION PROPERTY ADVISORS



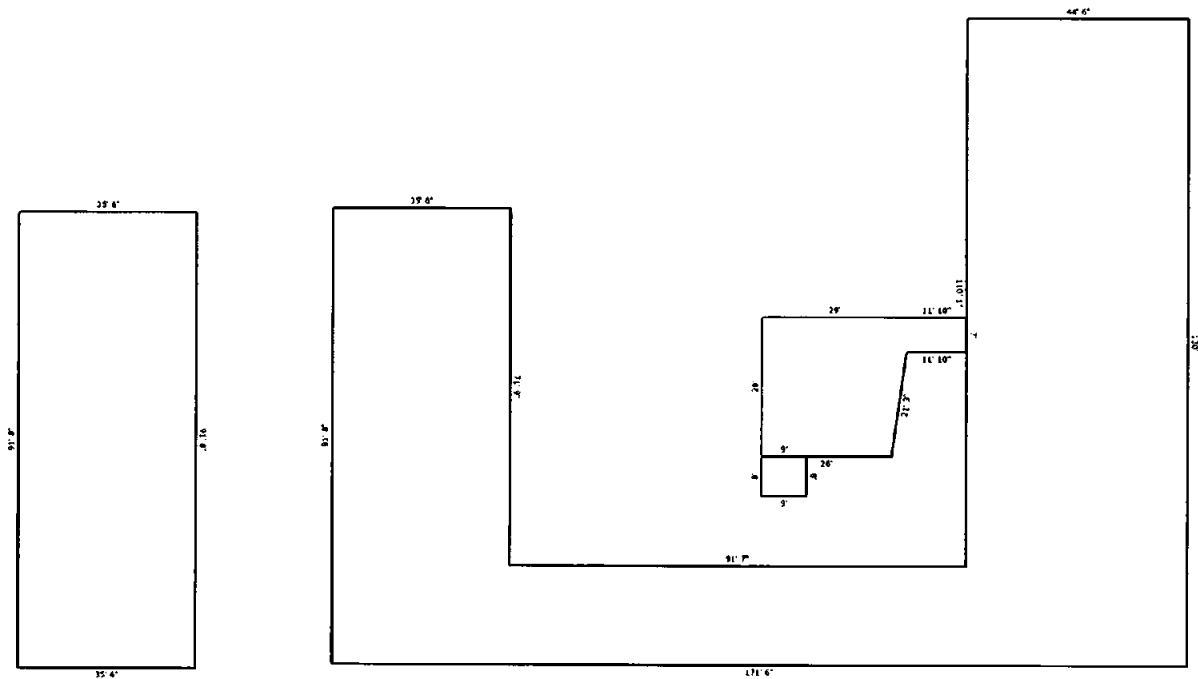
ANTHONY KUNA  
GENERAL CERTIFIED APPRAISER, NM #3041-G



KATHLEEN BURMEISTER  
GENERAL CERTIFIED APPRAISER, NM #03025-G



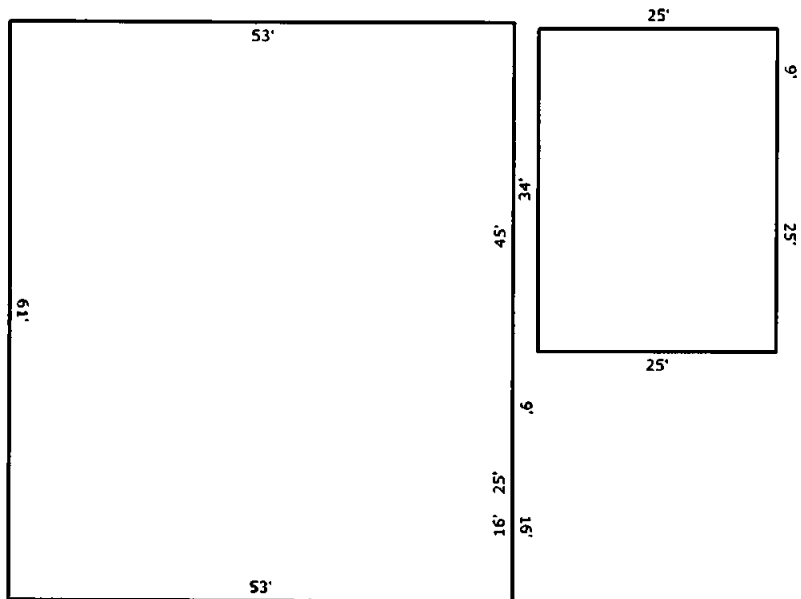
## **ADDENDA**



TOTAL Sketch by a la mode, inc.

### Area Calculations Summary

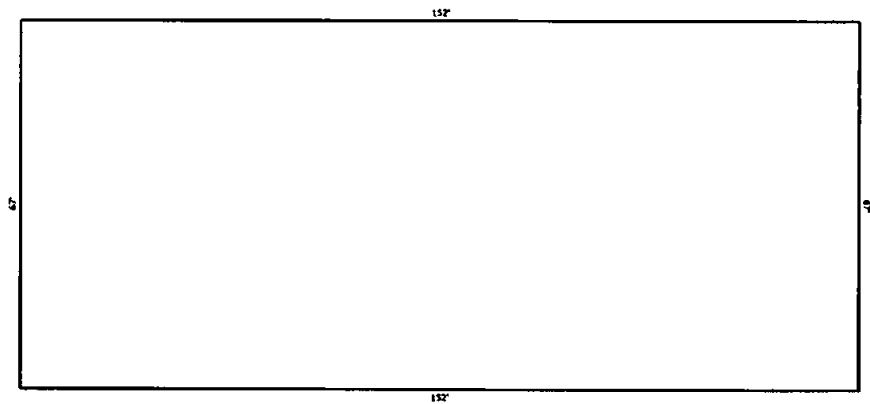
Living Area		Calculation Details	
Library	935.33 Sq ft	$9 \times 8$	= 72
		$0.5 \times 3 \times 21$	= 31.5
		$26 \times 21$	= 546
		$40.83 \times 7$	= 285.83
1st Floor	10856.96 Sq ft	$91.67 \times 35.5$	= 3254.17
		$130 \times 44.42$	= 5774.17
		$0.5 \times 110.08 \times 0.08$	= 4.58
		$19.92 \times 91.58$	= 1824.04
Second Floor	3254.17 Sq ft	$91.67 \times 35.5$	= 3254.17
<b>Gross Building Area(Rounded):</b>	<b>15046 Sq ft</b>		



TOTAL Sketch by a la mode, Inc.

#### Area Calculations Summary

Gross Building Area		Calculation Details	
Theater	3233 Sq ft	$53 \times 61$	= 3233
Office/Reception	850.42 Sq ft	$34 \times 25$	= 849.89
		$0.5 \times 34 \times 0.03$	= 0.53
<b>Total Gross Building Area (Rounded):</b>		<b>4083 Sq ft</b>	



TOTAL Sketch by a la mode, inc.

#### Area Calculations Summary

Living Area		Calculation Details
Second Floor	10184 Sq ft	$67 \times 152 = 10184$
1st Floor	10184 Sq ft	$67 \times 152 = 10183.99$
Total Living Area (Rounded):		20368 Sq ft

## COMPARABLE RENT PHOTOGRAPHS



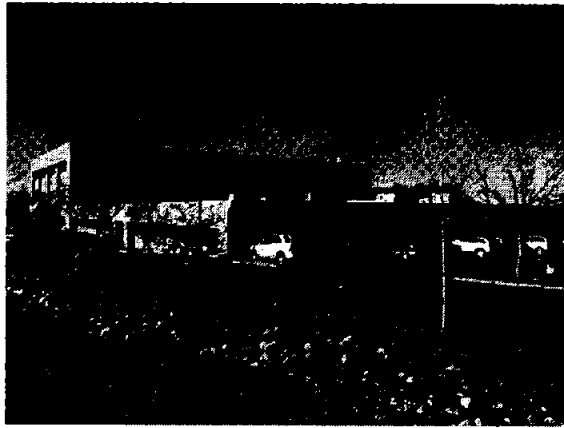
Rent 1. 683 Harkle Dr., Santa Fe, NM



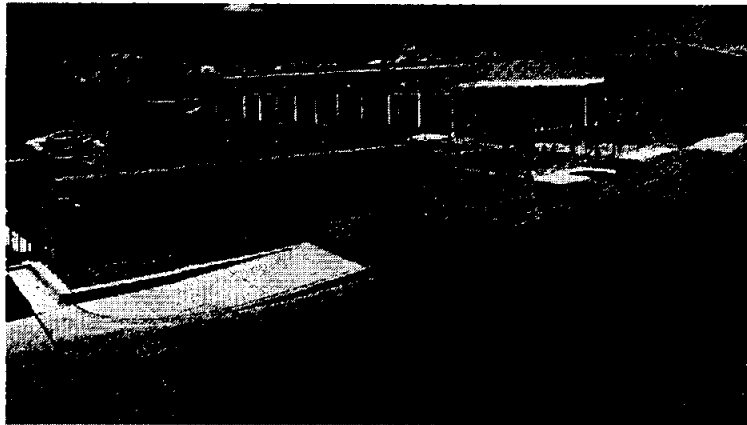
Rent 2. 460 St. Michaels Dr., Santa Fe, NM



Rent 3. 2055 Pacheco St., Santa Fe, NM



Rent 4, 5 and 8. 1474 Rodeo Rd., Santa Fe, NM



Rent 6. 525 Camino de los Marquez, Santa Fe, NM



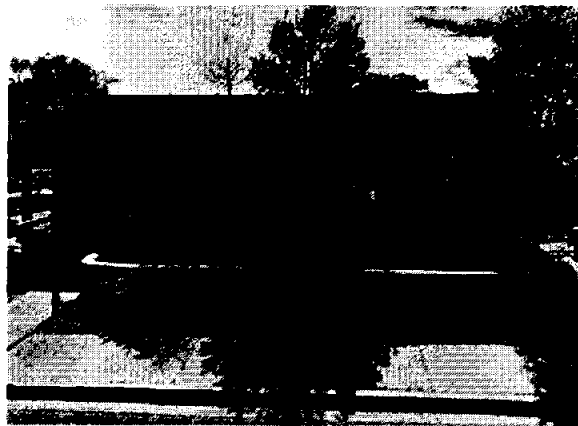
Rent 7. 2040 S. Pacheco, Santa Fe, NM



Rent 9. 2440 Camino Edward Ortiz, Santa Fe, NM



Rent 10. 100 Guadalupe, Santa Fe, NM



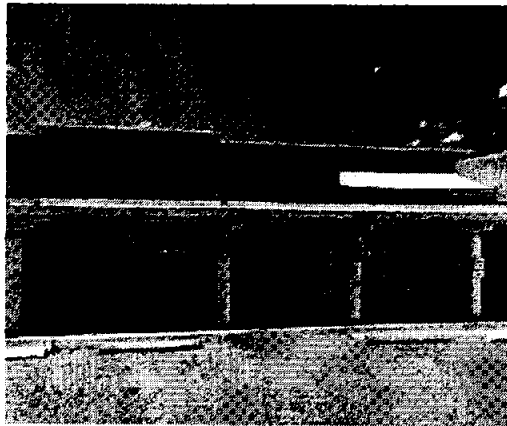
Rent 11. 220 N. Guadalupe, Santa Fe, NM



Rent 12. 1301 Siler Rd., Santa Fe, NM



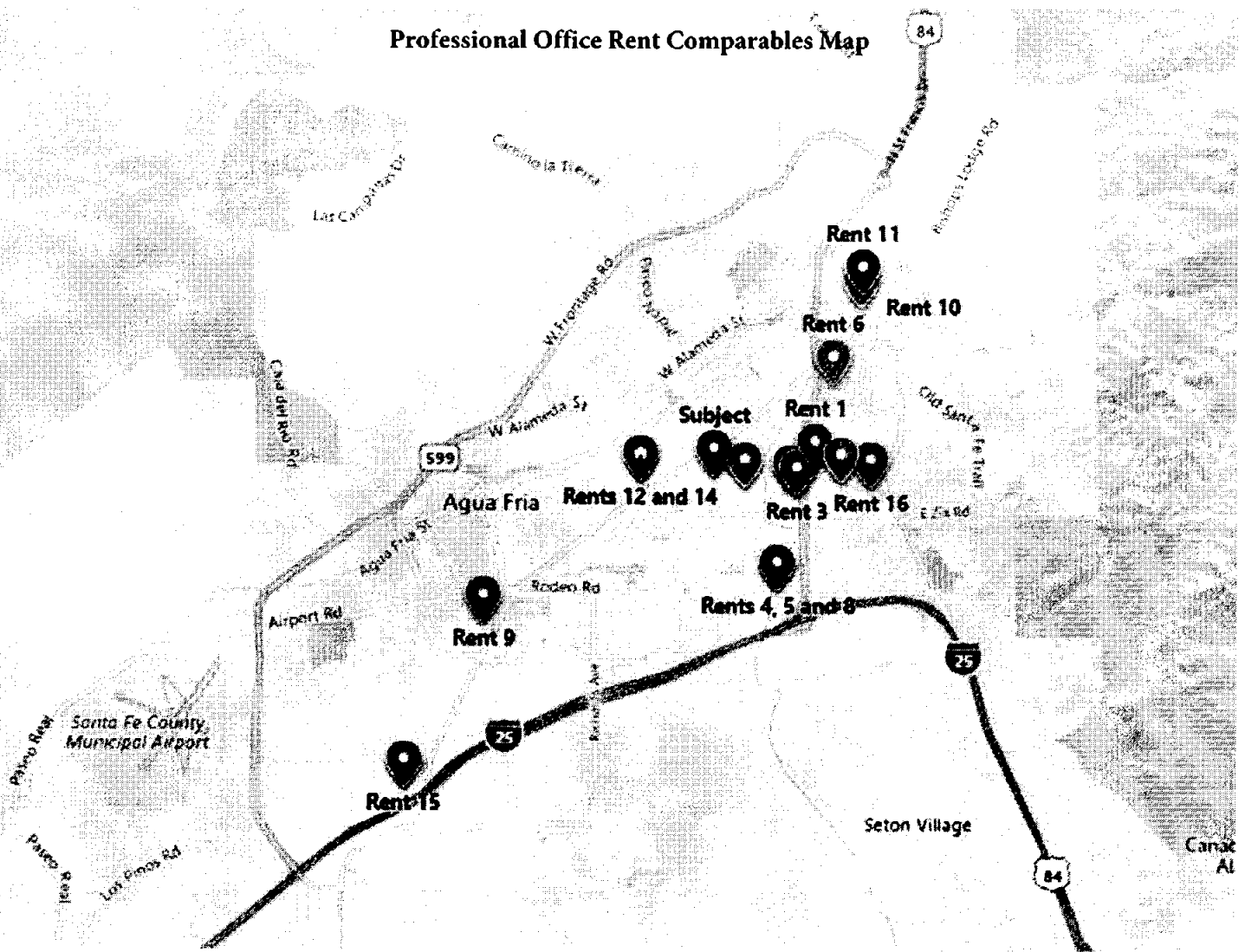
Rent 15. 39 Plaza La Prensa, Santa Fe, NM



Rent 16. 435 St. Michael's Dr., Santa Fe, NM



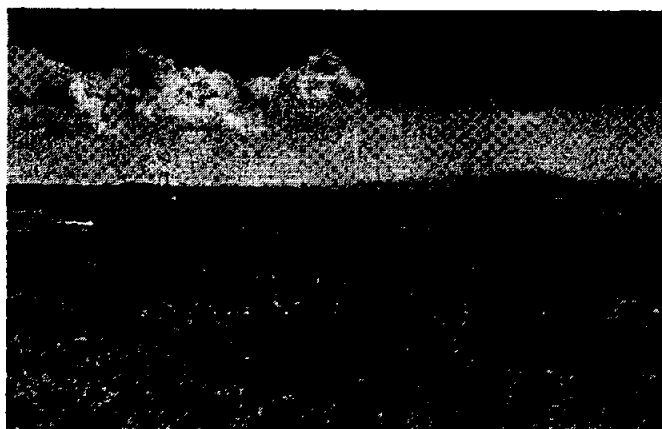
84



## COMPARABLE RENT PHOTOGRAPHS



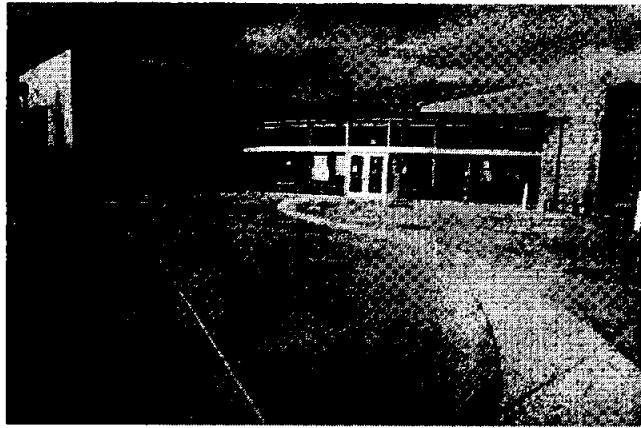
Rent 1. 50 Mount Carmel, Santa Fe, NM



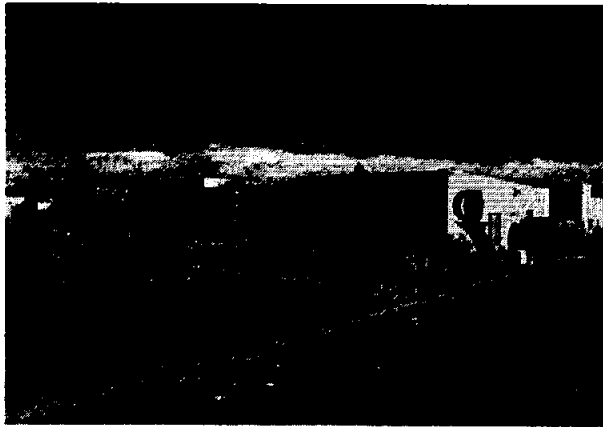
Rent 2. 74 Van Nu Po Rd., Santa Fe, NM



Rent 3. 4601 Mission Bend, Santa Fe, NM



Rent 4. 13A San Marcos Loop, Santa Fe, NM



Rent 5. 4157 Walking Rain Rd., Santa Fe, NM

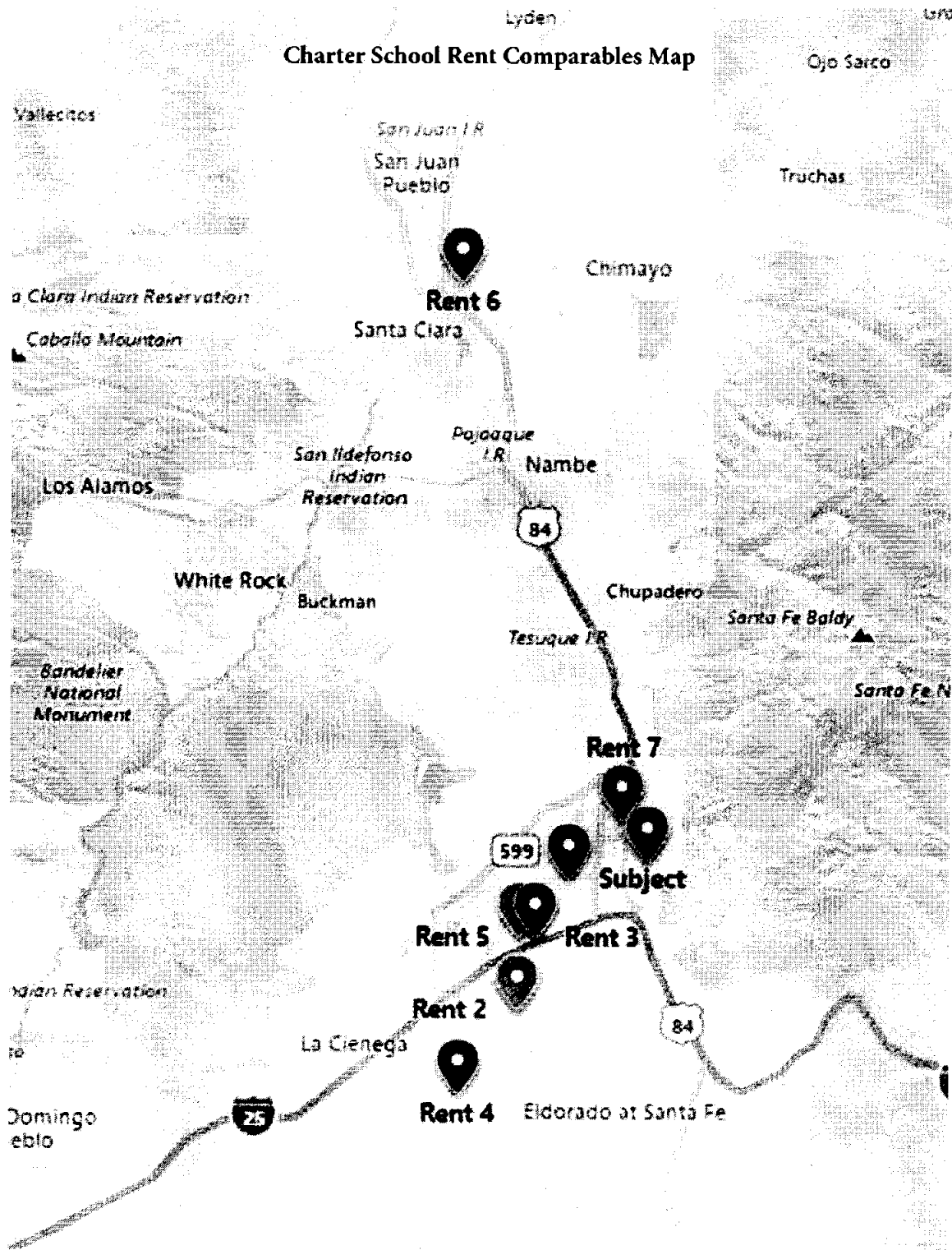


Rent 6. 515 Camino Arbolera, Espanola, NM



Rent 7. 257 E. Alameda, Santa Fe, NM

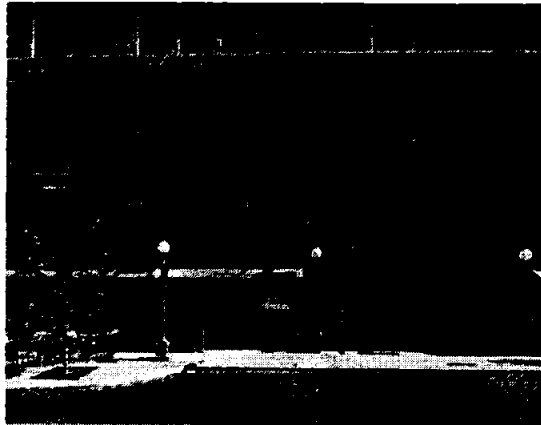
# Charter School Rent Comparables Map



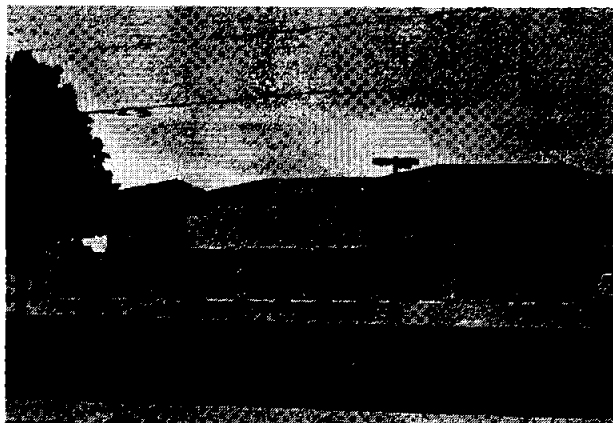
## COMPARABLE RENT PHOTOGRAPHS



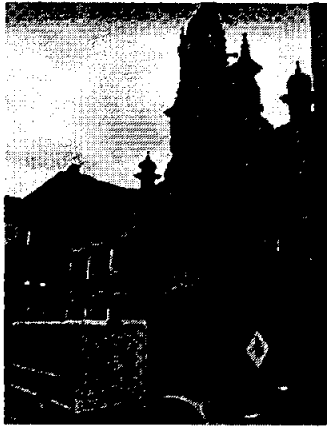
Rent 1. 2401 W. Wisconsin, Milwaukee, WI



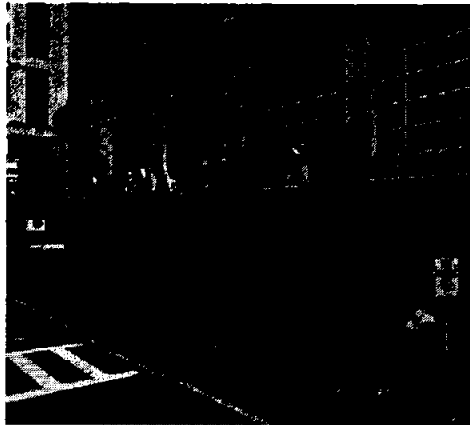
Rent 2. 408 St. Peter St., St. Paul, MN



Rent 3. 1401 N. Aspen Ave., Broken Arrow, OK



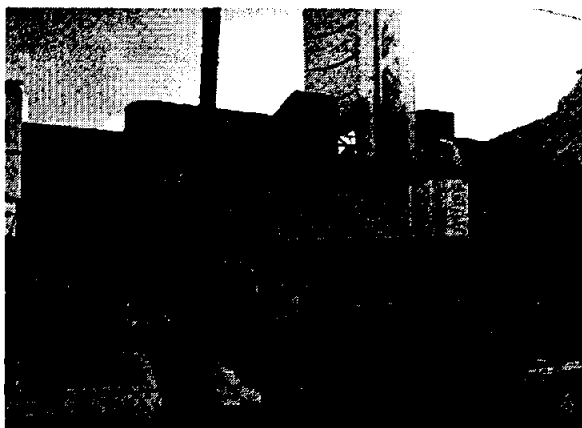
Rent 4. 625 S. 4<sup>th</sup> St., Louisville, KY



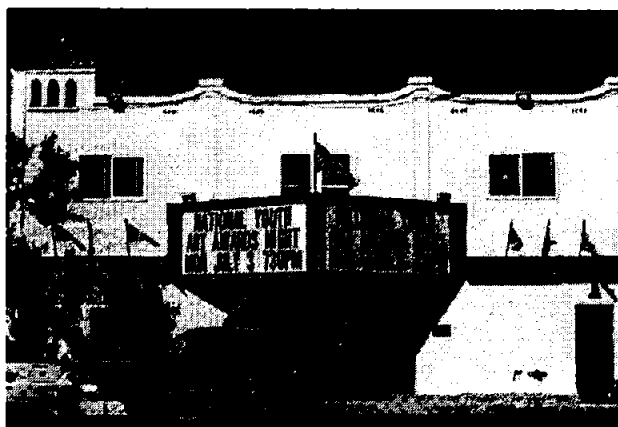
Rent 5. 118 Summer St., Stanford, CT



Rent 6. 928 S. Figueroa, Los Angeles, CA



Rent 7. 2663 Mission St., San Francisco, CA



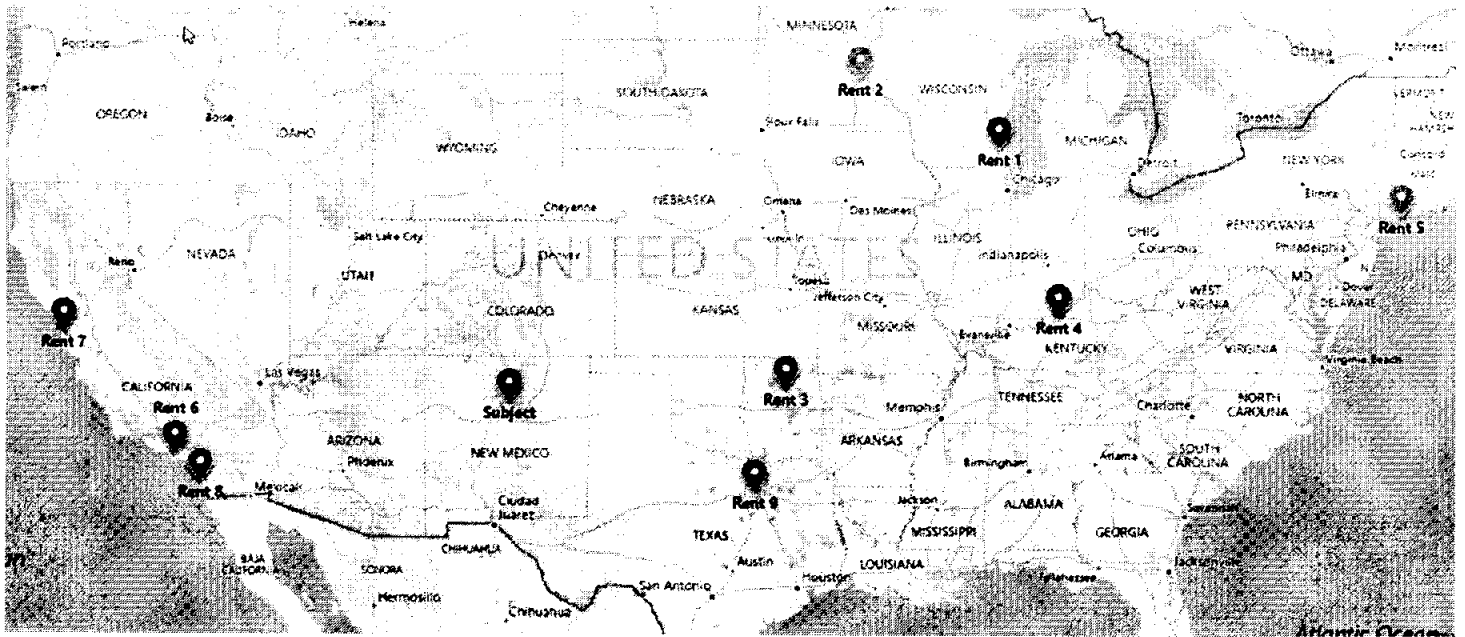
Rent 8. 2822 State St. Carlsbad, CA



Rent 9. 378 West Las Colinas Blvd., Irving, TX



## Production Theater Rent Comparables Map



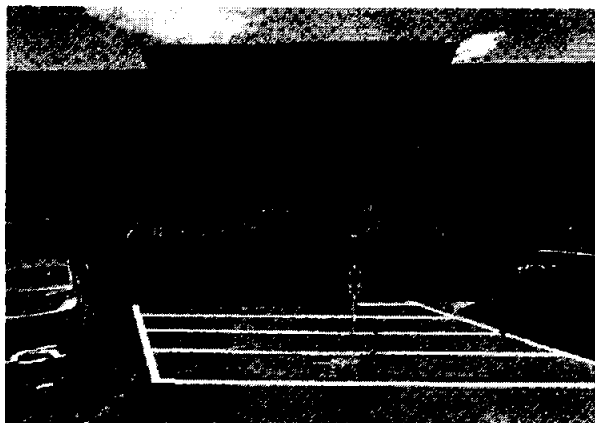
## COMPARABLE RENT PHOTOGRAPHS



Rent 1



Rent 2.



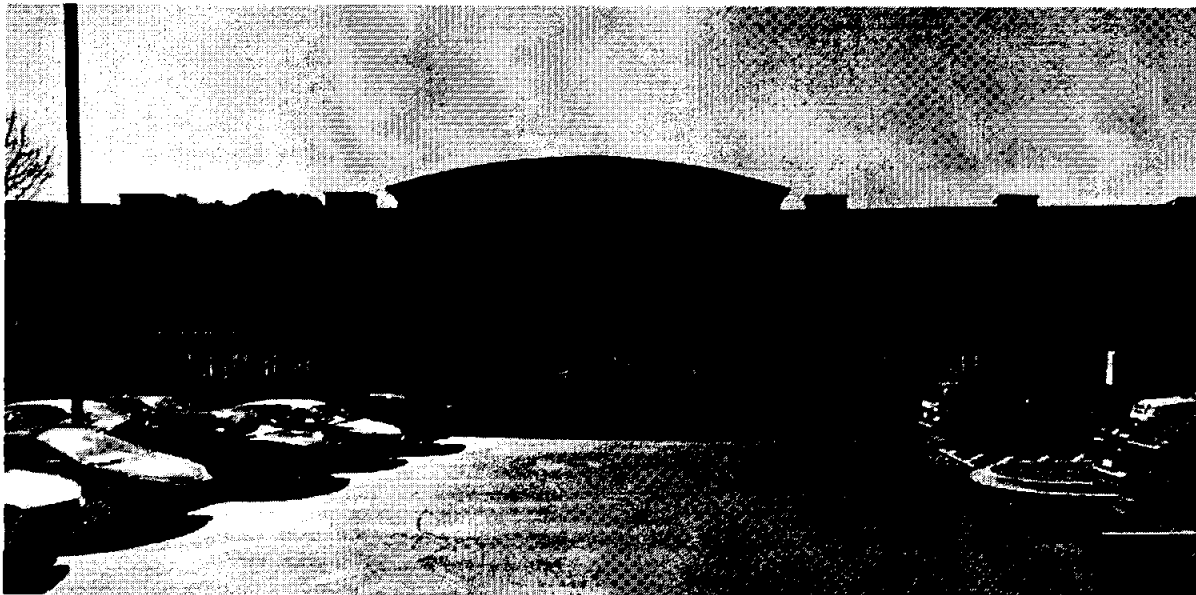
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Rent 4.



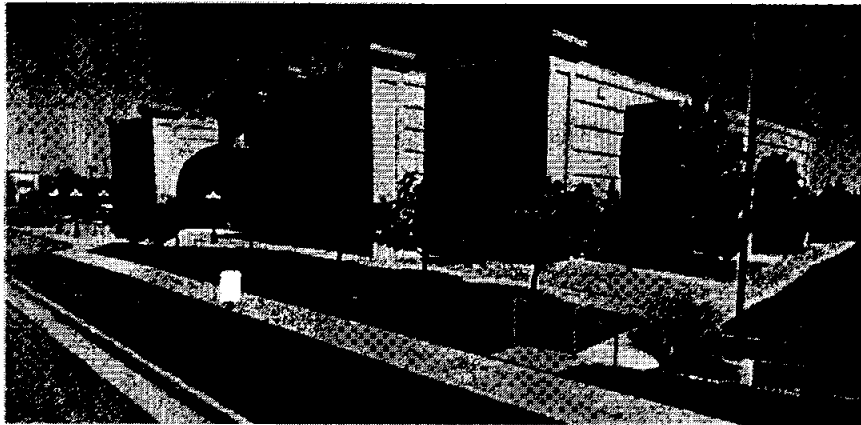
Rent 5.



Rents 6, 9, 14, 15 and 24



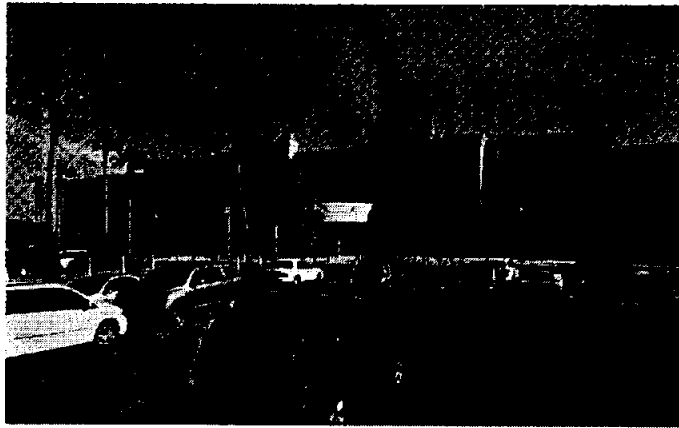
Rent 7.



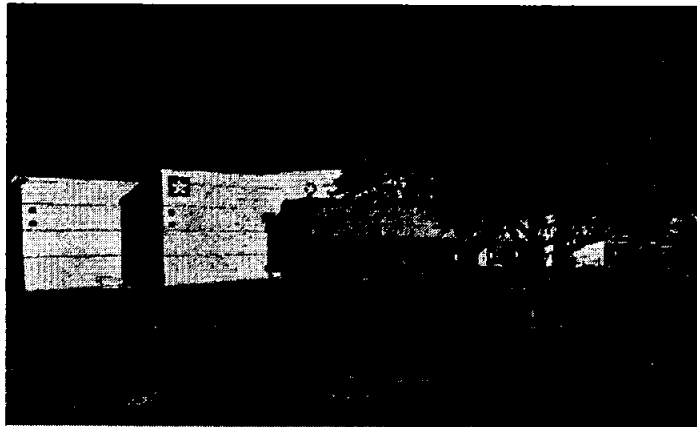
Rent 8, 17, 22, 23 and 27



Rent 10



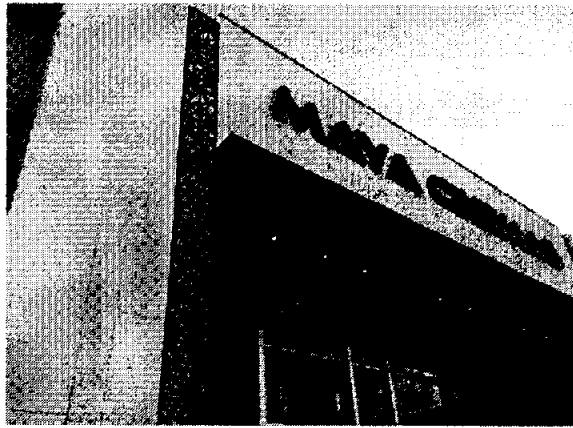
Rent 12



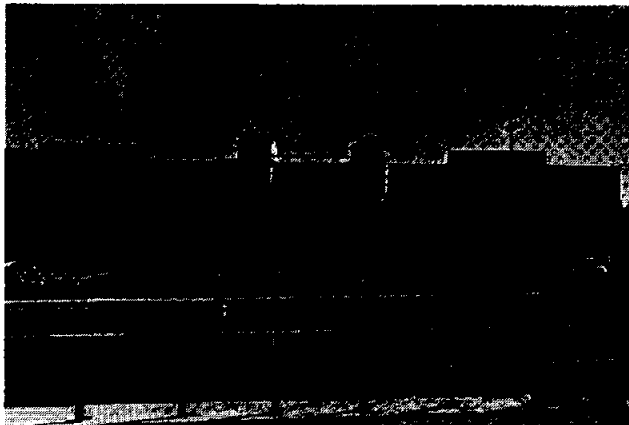
Rent 13



Rent 16



Rent 18.



Rent 19.



Rent 20.



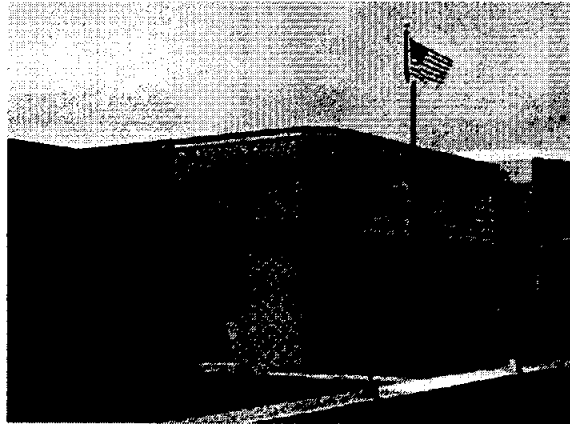
Rent 21.



Rent 25.



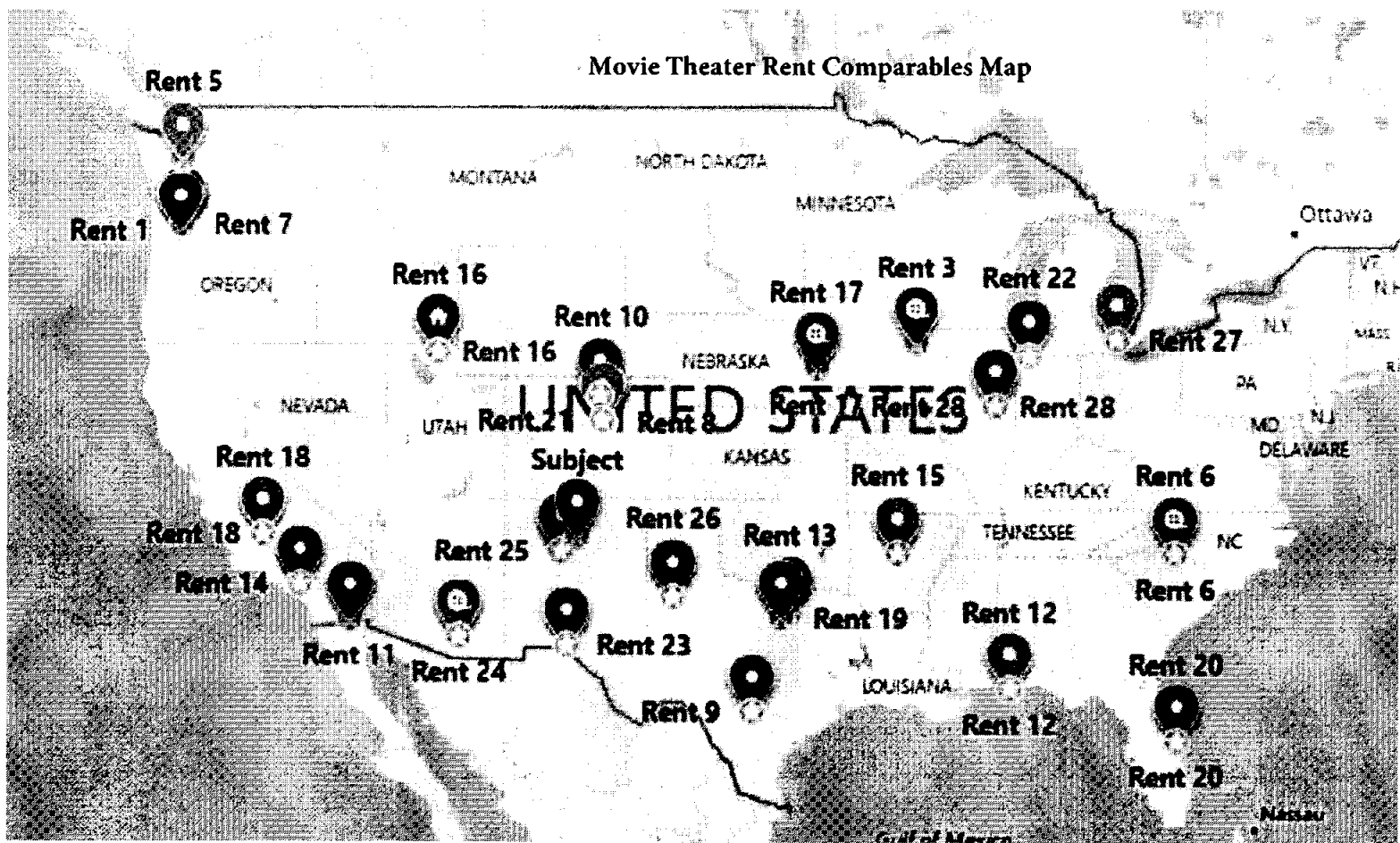
Rent 26.



Rent 28.



# Movie Theater Rent Comparables Map



## **ANTHONY M. KUNA, MAI**

### **PRESENT POSITION**

**Managing Member, Dominion Property Advisors, Albuquerque, NM**

### **CONTACT INFORMATION**

**505.314.3461 – Direct**

**505.710.7097 – Cell**

**[tonyk@dominionproperty.com](mailto:tonyk@dominionproperty.com)**

### **EDUCATION**

**Bachelor of Business Administration**

**Anderson School of Management**

**University of New Mexico**

**Major: International Management**

### **REAL ESTATE COURSE WORK – APPRAISAL INSTITUTE**

**Basic Appraisal Principles**

**Basic Appraisal Procedures**

**General Income Approach – Part I**

**General Income Approach – Part II**

**Advanced Income Capitalization**

**Advanced Concepts and Case Studies**

**Highest and Best Use and Market Analysis**

**The Appraiser as an Expert Witness**

**Advanced Education Diagnostic Test**

**Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets**

**Business Practices and Ethics**

**Data Verification Methods**

**Analyzing Operating Expenses**

**Forecasting Revenue**

**Using Microsoft Excel to Analyze and Support Appraisal Assignment Results**

**7-Hour National USPAP Update**

### **EXPERIENCE**

**Anthony Kuna is a highly regarded commercial real estate appraiser in New Mexico under the mentorship of Brian D. White, MAI. Anthony has demonstrated a superior aptitude for commercial appraisal over his 14 years in the industry as a result of an intense workload often involving complex properties with unique components of value. Anthony is a general certified appraiser in the State of New Mexico and recently obtained the MAI designation from the Appraisal Institute.**

Property types appraised include the following:

Office Buildings – Professional, Medical and Dental  
Retail Buildings – Freestanding, Strip and “Big Box”  
Industrial Facilities – Office/Warehouse, Distribution, Light/Heavy Manufacturing,  
Flex/R&D and Food Processing Facilities  
Multi-Family Residential Apartment Properties  
Hotels - Limited Service, Full Service (Independent and Franchised)  
Tax Income Credit Properties  
Single Family Residential Subdivisions (Urban and Rural)  
Mobile Home Parks  
Commercial Subdivisions  
Assisted Living Facilities including Memory Care and Nursing Facilities  
Non-Profit Medical Treatment Facilities  
Farm/Ranch Properties  
Condemnations  
Houses of Worship  
Veterinary Clinics/Hospitals  
Restaurants - Full Service, Quick Service  
Gasoline Stations/Convenience Stores  
Bed & Breakfast Properties  
Vacant Land - Commercial, Residential, Agricultural, Ground-Leased  
Funeral Homes and Cemeteries  
Airport Hangars  
Car Washes - Self Service/Full Service  
RV/Campground Facilities

#### **AFFILIATIONS**

New Mexico General Certified Appraiser (License #3041-G)  
Designated Member, Appraisal Institute  
Treasurer, Rio Grande Chapter of the Appraisal Institute - 2018  
Member - Greater Albuquerque Association of Realtors (GAAR)  
Member - Commercial Association of Realtors New Mexico (CARNM)

#### **PRIOR PROFESSIONAL EXPERIENCE**

Facilities Coordinator - Ericsson Wireless Communications, San Diego, California 2000-2003

Responsibilities: Managed corporate travel program for the business unit. Assisted nine departments with various facilities-related services including short and long-term space planning activities, administrative support services, workers compensation claims and ergonomic requirements.

*State of New Mexico*  
**REAL ESTATE APPRAISERS BOARD**

PO Box 25101 Santa Fe, NM 87505 (505) 476-4622



This is to certify that  
**Anthony Kuna #03041-G**

Having complied with the provisions of the New Mexico Real Estate Appraisers  
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: 12/31/2008    Date Expires: 04/30/2020**

**THIS LICENSE MUST BE CONSPICUOUSLY POSTED IN PLACE OF BUSINESS**

# **KATHLEEN E. BURMEISTER, MAI**

## **BACKGROUND AND EXPERIENCE**

### **PRESENT POSITION**

Vice President, Dominion Property Advisors, Albuquerque, New Mexico 2005-present  
Associate, American Property Consultants & Appraisers, Inc., Santa Fe, New Mexico

### **CONTACT INFORMATION**

505.688.8789 – Cell  
kathleenm@dominionproperty.com  
kathleenmclb@gmail.com

### **EDUCATION**

Bachelor of Science-Biology and Earth and Planetary Sciences  
University of New Mexico, Albuquerque, NM 87131  
Master of Business Administration-Marketing and International Business  
University of New Mexico, Albuquerque, NM 87131  
Bilingual

### **REAL ESTATE COURSE WORK**

Uniform Standards of Professional Appraisal Practice  
Advanced Land Valuation: Sound Solutions to Perplexing Problems  
Contract or Effective Rent: Finding the Real Rent  
Examining Property Rights and Implications in Valuation  
Analyzing Operating Expenses  
Advanced Spreadsheet Modeling for Valuation Applications  
Introduction to the Appraisal Profession Appraisal Techniques  
Real Property Interest & Legal Descriptions for Appraisers  
How to Use the Uniform Residential Appraisal Report  
Basic Income Capitalization  
Advanced Income Capitalization  
General Appraiser Market Analysis and Highest and Best Use  
Appraisal of Nursing Home Facilities  
Business Practice and Ethics  
Introduction to Valuing Commercial Green Buildings  
Advanced Internet Search Strategies  
Advanced Concepts & Case Studies  
General Appraiser Report Writing and Case Studies  
Comprehensive Examination Preparation Courses

### **ACADEMIC POSITIONS**

Research Assistant/Instructor, Graduate Assistant, Anderson School of Business, University of New Mexico 2001-2002  
Research Assistant, Earth and Planetary Sciences Department, University of New Mexico 1997-1999  
Research Assistant MBRS, School of Medicine, University of New Mexico, 1996-1999

### **EXPERIENCE**

Kathleen Mc Leroy has worked on various commercial appraisal assignments located throughout New Mexico and Colorado. Ms. McLeroy has worked independently and with various MAI

designated appraisers. She has shown a superior aptitude for commercial appraisal as a result of an intense workload often involving complex properties with unique components of value. Clients served included individuals, Fortune 500 corporations, banks and other lending institutions, government agencies, life insurance companies and attorneys. Estates appraised included fee simple, leased fee, leasehold and subleasehold. Property types include the following:

Office Buildings – Professional, Medical and Dental  
Retail Buildings – Freestanding, Strip and “Big Box”  
Multi-Family Residential Apartment Properties  
LIHTC Apartment Properties  
Storage Yards  
Light Industrial Properties - Office/Warehouses, Distribution Warehouses  
Assisted Living, Nursing Home and Special Care Facilities  
Vacant Land – Commercial, Residential, Agricultural, Ground Lease  
Section 8 Apartments  
Houses of Worship  
Single Family Residential Subdivisions  
Hotels– Limited and Full Service  
Bed & Breakfast Facilities (Rural and Urban)  
Gas Station & Convenience Stores  
Mortuaries and Cemeteries

#### **AFFILIATIONS**

Member, Appraisal Institute-MAI  
Rio Grande Chapter of the Appraisal Institute - President (2018)  
LDAC - 2017  
NM General Certified Real Estate Appraiser (No. 03025-G)  
Hispanic MBA Association  
Marketing Association  
Honors Graduate  
Golden Key National Honor Society  
SPURS, Honor Society  
Deans List  
American Geological Institute Scholar

<b>Prior Professional Experience</b>	2003-2005
Assistant General Manager/General Manager	
Mastro's Corporation, Albuquerque, NM	

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#### ***Responsibilities:***

Managed a staff of + 60 Employees. Assisted with payroll, inventory controls, purchasing, ordering, accounting, marketing and financing for a restaurant with gross annual sales of + \$3,000,000. Organized public events for + 8000 people which consist of one of the major events ever done by a private organization in downtown Albuquerque

*State of New Mexico*

**REAL ESTATE APPRAISERS BOARD**

PO Box 25101 Santa Fe, NM 87505 (505) 476-4622

This is to certify that

**Kathleen E. Burmeister #03025-G**

Having complied with the provisions of the New Mexico Real Estate Appraisers  
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: 09/09/2008 Date Expires: 04/30/2020**

**THIS LICENSE MUST BE CONSPICUOUSLY POSTED IN PLACE OF BUSINESS**

**CITY OF SANTA FE**  
**PROFESSIONAL SERVICES CONTRACT**

THIS AGREEMENT is made and entered into by and between the City of Santa Fe, New Mexico, hereinafter referred to as the "City," and DPA&C, LLC d/b/a **DOMINION PROPERTY ADVISORS**, hereinafter referred to as the "Contractor," and is effective as of the date set forth below upon which it is executed by the Parties.

**IT IS AGREED BETWEEN THE PARTIES:**

**1. Scope of Work.**

A. The Contractor shall perform the following work:

The Contractor shall provide the services for the City as described in the proposal attached as **Exhibit A** and incorporated herein.

**2. Compensation.**

A. The City shall pay to the Contractor in full payment for services satisfactorily performed in the sum of **\$5,900.00** including gross receipts tax. The total amount payable to the Contractor under this Agreement, including gross receipts tax and expenses, shall not exceed (\$5,900.00). This amount is a maximum and not a guarantee that the work assigned to be performed by Contractor under this Agreement shall equal the amount stated herein. The parties do not intend for the Contractor to continue to provide services without compensation when the total compensation amount is reached. Contractor is responsible for notifying the City when the services provided under this Agreement reach the total compensation amount. In no event will the Contractor be paid for services provided in excess of the total compensation amount without this Agreement being amended in writing prior to those services in excess of the total compensation amount being provided.

B. Payment is subject to availability of funds pursuant to the Appropriations Paragraph set forth below and to any negotiations between the parties from year to year pursuant to Paragraph 1, Scope of Work, and to approval by the City. All invoices **MUST BE** received by the City no later than thirty (30) days after the termination of the Fiscal Year in which the services were delivered. Invoices received after such date **WILL NOT BE PAID**.

C. Contractor must submit a detailed statement accounting for all services performed and expenses incurred. If the City finds that the services are not acceptable, within thirty days after the date of receipt of written notice from the Contractor that payment is requested, it shall provide the Contractor a letter of exception explaining the defect or objection to the services, and outlining steps the Contractor may take to provide remedial action. Upon certification by the City that the services have been received and accepted, payment shall be tendered to the Contractor within thirty days after the date of acceptance. If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. However, the City shall not incur late charges, interest, or penalties for failure to make payment within the time specified herein.

**3. Term.**

THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL APPROVED BY THE CITY. This Agreement shall terminate on **September 30, 2018** unless terminated pursuant



to paragraph 4 (Termination), or paragraph 5 (Appropriations). In accordance with Section 13-1-150 NMSA 1978, no contract term for a professional services contract, including extensions and renewals, shall exceed four years, except as set forth in Section 13-1-150 NMSA 1978.

**4. Termination.**

A. Termination. This Agreement may be terminated by either of the parties hereto upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination. Except as otherwise allowed or provided under this Agreement, the City's sole liability upon such termination shall be to pay for acceptable work performed prior to the Contractor's receipt of the notice of termination, if the City is the terminating party, or the Contractor's sending of the notice of termination, if the Contractor is the terminating party; provided, however, that a notice of termination shall not nullify or otherwise affect either party's liability for pre-termination defaults under or breaches of this Agreement. The Contractor shall submit an invoice for such work within thirty (30) days of receiving or sending the notice of termination. Notwithstanding the foregoing, this Agreement may be terminated immediately upon written notice to the Contractor if the Contractor becomes unable to perform the services contracted for, as determined by the City or if, during the term of this Agreement, the Contractor or any of its officers, employees or agents is indicted for fraud, embezzlement or other crime due to misuse of state funds or due to the Appropriations paragraph herein. THIS PROVISION IS NOT EXCLUSIVE AND DOES NOT WAIVE THE City's OTHER LEGAL RIGHTS AND REMEDIES CAUSED BY THE CONTRACTOR'S DEFAULT/BREACH OF THIS AGREEMENT.

B Termination Management. Immediately upon receipt by either the City or the Contractor of notice of termination of this Agreement, the Contractor shall: 1) not incur any further obligations for salaries, services or any other expenditure of funds under this Agreement without written approval of the City; 2) comply with all directives issued by the City in the notice of termination as to the performance of work under this Agreement; and 3) take such action as the City shall direct for the protection, preservation, retention or transfer of all property titled to the City and records generated under this Agreement. Any non-expendable personal property or equipment provided to or purchased by the Contractor with contract funds shall become property of the City upon termination and shall be submitted to the City as soon as practicable.

**5. Appropriations.**

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the City Council for the performance of this Agreement. If sufficient appropriations and authorization are not made by the City Council, this Agreement shall terminate immediately upon written notice being given by the City to the Contractor. The City's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final. If the City proposes an amendment to the Agreement to unilaterally reduce funding, the Contractor shall have the option to terminate the Agreement or to agree to the reduced funding, within thirty (30) days of receipt of the proposed amendment.

**6. Status of Contractor.**

The Contractor and its agents and employees are independent contractors performing professional services for the City and are not employees of the City. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles, or any other benefits afforded to employees of the City as a result of this Agreement.

The Contractor acknowledges that all sums received hereunder are reportable by the Contractor for tax purposes, including without limitation, self-employment and business income tax. The Contractor agrees not to purport to bind the City unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

**7. Assignment.**

The Contractor shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of the City.

**8. Subcontracting.**

The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the City. No such subcontract shall relieve the primary Contractor from its obligations and liabilities under this Agreement, nor shall any subcontract obligate direct payment from the City.

**9. Release.**

Final payment of the amounts due under this Agreement shall operate as a release of the City, its officers and employees, and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under this Agreement.

**10. Confidentiality.**

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the City.

**11. Product of Service -- Copyright.**

All materials developed or acquired by the Contractor under this Agreement shall become the property of the City and shall be delivered to the City no later than the termination date of this Agreement. Nothing developed or produced, in whole or in part, by the Contractor under this Agreement shall be the subject of an application for copyright or other claim of ownership by or on behalf of the Contractor.

**12. Conflict of Interest; Governmental Conduct Act.**

A. The Contractor represents and warrants that it presently has no interest and, during the term of this Agreement, shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under the Agreement.

B. The Contractor further represents and warrants that it has complied with, and, during the term of this Agreement, will continue to comply with, and that this Agreement complies with all applicable provisions of the Governmental Conduct Act, Chapter 10, Article 16 NMSA 1978.

C. Contractor's representations and warranties in Paragraphs A and B of this Article 12 are material representations of fact upon which the City relied when this Agreement was entered into by the parties. Contractor shall provide immediate written notice to the City if, at any time during the term of this Agreement, Contractor learns that Contractor's representations and warranties in Paragraphs A and B of this Article 12 were erroneous on the effective date of this Agreement or have become erroneous by reason of new or changed circumstances. If it is

later determined that Contractor's representations and warranties in Paragraphs A and B of this Article 12 were erroneous on the effective date of this Agreement or have become erroneous by reason of new or changed circumstances, in addition to other remedies available to the City and notwithstanding anything in the Agreement to the contrary, the City may immediately terminate the Agreement.

D. All terms defined in the Governmental Conduct Act have the same meaning in this section.

**13. Amendment.**

A. This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto and all other required signatories.

B. If the City proposes an amendment to the Agreement to unilaterally reduce funding due to budget or other considerations, the Contractor shall, within thirty (30) days of receipt of the proposed Amendment, have the option to terminate the Agreement, pursuant to the termination provisions as set forth in Article 4 herein, or to agree to the reduced funding.

**14. Merger.**

This Agreement incorporates all the Agreements, covenants and understandings between the parties hereto concerning the subject matter hereof, and all such covenants, Agreements and understandings have been merged into this written Agreement. No prior Agreement or understanding, oral or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

**15. Penalties for violation of law.**

The Procurement Code, Sections 13-1-28 through 13-1-199, NMSA 1978, imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

**16. Equal Opportunity Compliance.**

The Contractor agrees to abide by all federal and state laws and rules and regulations, and executive orders of the Governor of the State of New Mexico, pertaining to equal employment opportunity. In accordance with all such laws of the State of New Mexico, the Contractor assures that no person in the United States shall, on the grounds of race, religion, color, national origin, ancestry, sex, age, physical or mental handicap, or serious medical condition, spousal affiliation, sexual orientation or gender identity, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity performed under this Agreement. If Contractor is found not to be in compliance with these requirements during the life of this Agreement, Contractor agrees to take appropriate steps to correct these deficiencies.

**17. Applicable Law.**

The laws of the State of New Mexico shall govern this Agreement, without giving effect to its choice of law provisions. Venue shall be proper only in a New Mexico court of competent jurisdiction in accordance with Section 38-3-1 (G) NMSA 1978. By execution of this Agreement, Contractor acknowledges and agrees to the jurisdiction of the courts of the State of New Mexico over any and all lawsuits arising under or out of any term of this Agreement.

**18. Workers Compensation.**

The Contractor agrees to comply with state laws and rules applicable to workers compensation benefits for its employees. If the Contractor fails to comply with the Workers Compensation Act and applicable rules when required to do so, this Agreement may be terminated by the City.

**19. Professional Liability Insurance.** Contractor shall maintain professional liability insurance throughout the term of this Agreement providing a minimum coverage in the amount required under the New Mexico Tort Claims Act. The Contractor shall furnish the City with proof of insurance of Contractor's compliance with the provisions of this section as a condition prior to performing services under this Agreement.

**20. Records and Financial Audit.**

The Contractor shall maintain detailed time and expenditure records that indicate the date; time, nature and cost of services rendered during the Agreement's term and effect and retain them for a period of three (3) years from the date of final payment under this Agreement. The records shall be subject to inspection by the City. The City shall have the right to audit billings both before and after payment. Payment under this Agreement shall not foreclose the right of the City to recover excessive or illegal payments

**21. Indemnification.**

The Contractor shall defend, indemnify and hold harmless the City from all actions, proceeding, claims, demands, costs, damages, attorneys' fees and all other liabilities and expenses of any kind from any source which may arise out of the performance of this Agreement, caused by the negligent act or failure to act of the Contractor, its officers, employees, servants, subcontractors or agents, or if caused by the actions of any client of the Contractor resulting in injury or damage to persons or property during the time when the Contractor or any officer, agent, employee, servant or subcontractor thereof has or is performing services pursuant to this Agreement. In the event that any action, suit or proceeding related to the services performed by the Contractor or any officer, agent, employee, servant or subcontractor under this Agreement is brought against the Contractor, the Contractor shall, as soon as practicable but no later than two (2) days after it receives notice thereof, notify the legal counsel of the City.

**22. Invalid Term or Condition.**

If any term or condition of this Agreement shall be held invalid or unenforceable, the remainder of this Agreement shall not be affected and shall be valid and enforceable.

**23. Enforcement of Agreement.**

A party's failure to require strict performance of any provision of this Agreement shall not waive or diminish that party's right thereafter to demand strict compliance with that or any other provision. No waiver by a party of any of its rights under this Agreement shall be effective unless express and in writing, and no effective waiver by a party of any of its rights shall be effective to waive any other rights.

**24. Notices.**

Any notice required to be given to either party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. mail, either first class or certified,

return receipt requested, postage prepaid, as follows:

To the City:           Asset Development Director  
                              City of Santa Fe  
                              P. O. Box 909, Santa Fe, NM 87504-0909  
                              *msoreilly@santafenm.gov*

To the Contractor:   Anthony Kuna, MAI  
                              Dominion Property Advisors  
                              1305 Tijeras Ave. NW, Albuquerque, NM 87102  
                              *tonyk@dominionproperty.com*

**25.   Authority.**

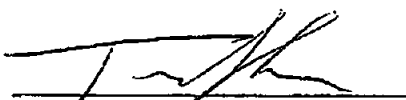
If Contractor is other than a natural person, the individual(s) signing this Agreement on behalf of Contractor represents and warrants that he or she has the power and authority to bind Contractor, and that no further action, resolution, or approval from Contractor is necessary to enter into a binding contract.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date of the signature by the required approval authorities below.

CITY OF SANTA FE:

DOMINION PROPERTY ADVISORS

ERIK J. LITZENBERG, CITY MANAGER

  
ANTHONY KUNA, MAI

DATE: \_\_\_\_\_

DATE: 9-5-18

CRS #: 03-128678-00-0

Registration #: 18-00153688

ATTEST:

YOLANDA Y. VIGIL, CITY CLERK

APPROVED AS TO FORM:

 8/30  
ERIN K. McSHERRY, CITY ATTORNEY

APPROVED:

MARY T. McCOY, FINANCE DIRECTOR

52910.510340

Business Unit Line Item



## **Dominion Property Advisors**

### **AGREEMENT FOR PROFESSIONAL VALUATION SERVICES**

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**DATE OF AGREEMENT:** August 22, 2018

**PARTIES TO AGREEMENT:**

**Client:**

City of Santa Fe  
Mr. Matthew S. O'Reilly, P.E.  
Director of Asset Development  
P.O. Box 909  
Santa Fe, NM 87504-0909  
505.955.6213 (Office)  
[msoreilly@santafenm.gov](mailto:msoreilly@santafenm.gov)

**Appraiser:**

Anthony Kuna, MAI  
Dominion Property Advisors  
1305 Tijeras Ave. NW  
Albuquerque, NM 87104  
505.314.3461 (O)  
505.710.7097 (M)  
[tonyk@dominionproperty.com](mailto:tonyk@dominionproperty.com)

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Client hereby engages Appraiser to complete an appraisal assignment as follows:

**PROPERTY IDENTIFICATION**

1800 St. Michaels Dr.  
Santa Fe, NM 87505  
(Benildus Hall, Film School, The Screen, Garson Theater, Thaw Art History Building)

**PROPERTY TYPE**

An existing college campus (mostly vacant)

**INTEREST VALUED**

N/A – Market Rent Study

**INTENDED USERS**

City of Santa Fe

*Note: No other users are intended by Appraiser. Appraiser shall consider the intended users when determining the level of detail to be provided in the Appraisal Report.*

**1305 Tijeras Ave. NW ❖ Albuquerque, NM 87102  
1346 Pacheco St. Unit E ❖ Santa Fe, NM 87505**

**INTENDED USE**

To assist Client in establishing fair market rent for decisions related to asset management.

**TYPE OF VALUE**

Market rent as defined by *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> Edition

**DATE OF VALUE**

Current

**HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS**

None anticipated, to be detailed in transmittal letter if appropriate

**APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)**

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

**ANTICIPATED SCOPE OF WORK****Site visit**

Full interior and exterior inspection

**Valuation approaches**

Income Approach (modified)

**REPORT TYPE**

Market Rent Study

**Form or format:**

Narrative

**CONTACT FOR PROPERTY ACCESS, IF APPLICABLE**

Mr. Matthew S. O'Reilly

505.955.6213

**DELIVERY DATE**

September 13, 2018

**DELIVERY METHOD**

Fully executed digital PDF copy.

**NUMBER OF HARD COPIES**

TBD



**PAYMENT TO APPRAISER**

\$5,900 (INCLUDES New Mexico Gross Receipts Tax of 7.875%)

**PROPOSED IMPROVEMENTS**

If the property appraised consists of proposed improvements, Client shall provide to Appraiser plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.

**PROPERTIES UNDER CONTRACT FOR SALE**

If the property appraised is currently under contract for sale, Client shall provide to Appraiser a copy of said contract including all addenda.

**CONFIDENTIALITY**

Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement with, any party other than Client, unless Client authorizes, except as stipulated in the Confidentiality Section of the ETHICS RULE of the Uniform Standards of Professional Appraisal Practice (USPAP).

**CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

**CANCELLATION**

Client may cancel this Agreement at any time prior to the Appraiser's delivery of the Appraisal Report upon written notification to the Appraiser. Client shall pay Appraiser for work completed on assignment prior to Appraiser's receipt of written cancellation notice, unless otherwise agreed upon by Appraiser and Client in writing.

**WHEN APPRAISER'S OBLIGATIONS ARE COMPLETE**

Appraiser's obligations pursuant to this Agreement are complete when the Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraiser agrees to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery.

**USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS**

Appraiser may use employees or independent contractors at Appraiser's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Appraiser shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

**SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Appraiser as set forth in this Agreement. Unless otherwise specified herein, Appraiser's services for which the

fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraiser's deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Appraiser not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

#### **TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include Appraiser's participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment.

#### **GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed by the law of the state in which Appraiser's office as specified in this Agreement is located, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Appraiser's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

#### **APPRAISER INDEPENDENCE**

Appraiser cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraiser cannot guarantee the outcome of the assignment in advance. Appraiser cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraiser's opinion of value will be developed competently and with independence, impartiality and objectivity.

#### **NOTICES**

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

#### **NO THIRD-PARTY BENEFICIARIES**

Nothing in this Agreement shall create a contractual relationship between Appraiser or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

#### **MEDIATION & ARBITRATION**

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in the city in which Appraiser's office as specified herein is located. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

#### **SPECIAL OR CONSEQUENTIAL DAMAGES**

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraiser be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraiser pursuant to this Agreement.

#### **ASSIGNMENT**

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion. In the event this Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

#### **SEVERABILITY**

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

**CLIENT'S REPRESENTATIONS AND WARRANTIES**

Client represents and warrants to Appraiser that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Appraiser, nor will Client use Appraiser's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

**EXTENT OF AGREEMENT**

This Agreement represents the entire and integrated agreement between the Client and Appraiser and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Appraiser. This Agreement includes the following Appendices, which are incorporated into, and made a part of this Agreement:

N/A - TBD

**EXPIRATION OF AGREEMENT**

This Agreement is valid only if signed by both Appraiser and Client within 7 days of the Date of Agreement specified.

By Appraiser:

  
(Signature)

ANTHONY M. KUWA  
(Printed name)

9-5-18  
(date)

By Client:

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed name)

\_\_\_\_\_  
(date)