



MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.

In Open Session

Members of the Board of Directors of the University of Louisville Real Estate Foundation, Inc. met at 2:33 p.m. on January 25, 2023, in the 515 W. Market Street, First Floor Conference Room. Members were present as follows:

Present: Mr. Steve Gault, Chair
Mr. Scott Brinkman
Ms. Jessica Cole
Mr. Charlie Dahlem
Ms. Jill Force (*arrived at 2:35 p.m.*)
Dr. Lori Gonzalez (*via videoconference*)
Ms. Mariah Gratz
Mr. Craig Hawley
Mr. Mark Nickel
Mr. Keith Sherman
Mr. Powell Spears (*via videoconference*)

From the Foundation: Mr. Justin Ruhl, Controller
Ms. Julie Soule, Executive Assistant

From the University: Mr. Dan Durbin, EVP for Finance & Administration (*via videoconference*)

From Legal Counsel: Mr. Franklin Jelsma, Wyatt, Tarrant & Combs
Mr. Jake Smith, Wyatt, Tarrant & Combs

Guest: Mr. Kevin Grout, RunSwitch

I. Call to Order

Having determined a quorum present, Mr. Gault called the regular meeting to order at 2:33 p.m. No conflicts of interest or appearances of conflicts were identified.

II. Consent Agenda

Ms. Gratz made a motion, which Mr. Dahlem seconded, to approve the Consent Agenda as listed: Approval of Minutes, October 27, 2022. The motion passed.

III. Property Committee Report

Ms. Gratz reported the Property Committee reviewed leasing activities across the portfolio and discussed a few specific business proposals at their January 24, 2023, meeting. She reported that the Foundation's properties continue to perform well, and rental revenues are exceeding budget. Expenses are also exceeding budget, largely due to unbudgeted expenses at the dorms and expenses at the 515 W. Market Street building.

IV. Information Item: Fiscal Year 2023 Second Quarter Financial Update

Mr. Ruhl reviewed the **attached** first quarter financial presentation highlighting the TIF increment receipts, the consolidated income statements, and the statements of position.

V. Report of the Executive Director

Mr. Sherman provided the following updates on the real estate portfolio:

- The listing for 425 W. Lee Street has been modified to include for sale as well as for lease.
- The Foundation closed on the purchase of 248 E. Market Street on December 16, 2023.
- QK4 is in the early stages of developing site design options for the necessary roadway and infrastructure work on the KYT property.
- One of the dorms flooded over the winter break. It is the second dorm in two years that flooded because of the sprinkler system. Going forward sprinkler maintenance in the three dorms will be outsourced instead of being done by the University.
- The sale of Humana Gym, 601 President's Blvd, should be completed before the next Board meeting.

Mr. Jelsma provided an overview of the **attached** resolution regarding amended and restated Articles of Organization and Operating Agreements for both the 515 Building, LLC and the 248 E. Market, LLC. The revised Articles of Organization make clear that the two wholly owned LLCs are nonprofit limited liability companies, exempt from property taxes. The Board approved the resolution.

VI. Report of the Chair

Mr. Gault expressed his appreciation to the Board members and staff who attended the December 1, 2023, tour of properties owned by ULREF and ULF.

VII. Executive Session to Discuss Potential Acquisition or Sale of Real Property and Specific Business Proposals

Mr. Hawley made a motion at 3:41 p.m., which Mr. Nickel seconded, to go into executive session to discuss the potential acquisition or sale of real property and specific business proposals pursuant to KRS 61.810(1)(b) and (g). The motion passed.

VIII. Reconvene Open Session

Open session reconvened at 4:06 p.m., Mr. Gault reported that the potential sale of real property and specific business proposals were discussed during the executive session. No action was taken.

IX. Adjournment

Having no other business, Mr. Hawley made a motion to adjourn, which Ms. Force seconded. The meeting adjourned at 4:07 p.m.



Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.



Financial Update
January 2023

Executive Summary

LMCDC received the \$1.7 million check from Louisville Metro for the tax year 2019.

The acquisition of 248 East Market closed in December for a purchase price of \$650,000. NTS will be managing the property.

ULREF is working with Qk4 to design roadway and utility infrastructure for the University of Louisville Research Park.

ULREF

Consolidated Income Statements

- A.** Rental revenues were above the budget from Solae (parking lot), and Denny Crum Hall (ground rent) was not included in the budget.
- B.** TIF revenue from the State for the tax year 2020 downtown area.
- C.** Gift of land located on 7th street road; currently for sale
- D.** 515 Building utilities were not budgeted; it was donated summer of 2022.
- E.** Material variances are attributed to Dorm expenses that pass through to the University.

	For the Six Months Ended December 31,									
	2022		2021		Variance	Budget	Variance			
	<i>(in thousands)</i>									
Revenues										
Rental revenue (A)	\$	2,112	\$	2,195	\$	(83)	\$	1,870	\$	242
Dorm rental revenue		5,103		4,508		595		4,345		758
Parking revenue		365		399		(34)		397		(32)
Tax increment financing revenue (B)		8,680		-		8,680		9,300		(620)
Gift revenue (C)		65		-		65		-		65
Other revenues		562		351		211		392		170
Total revenues		16,887		7,453		9,434		16,304		583
Expenses										
Salaries		571		585		(14)		639		(68)
General and administrative		939		602		337		1,020		(81)
Professional services		582		587		(5)		631		(49)
Utilities (D)		866		660		206		718		148
Repairs and maintenance (E)		1,341		964		377		1,006		335
Total operating expenses		4,299		3,398		901		4,014		285
Net operating income		12,588		4,055		8,533		12,290		298
Other expenses (gains) after NOI										
Depreciation and amortization		4,328		4,450		(122)		4,434		(106)
Interest expense		1,191		1,191		-		1,188		3
Total other expenses after NOI		5,610		5,641		(31)		5,622		(12)
Consolidated net income (loss)	\$	6,978	\$	(1,586)	\$	8,564	\$	6,668	\$	310

See Appendix A for financial statements

ULREF Consolidated Statements of Position

- A. LMCDC is holding \$14 million of TIF proceeds. Anticipated need for the Louisville Research Park.
- B. Represents the future tax effect of net operating loss carryforwards, which will reduce future taxable income from investments in Campus Two and Campus Three.
- C. Purchased the 248 E. Market Street property sourced from \$650,000 of TIF proceeds.

	December	
	2022	2021
	<i>(in thousands)</i>	
Assets		
Cash (A)	\$ 20,693	\$ 9,316
Accounts receivable, net	902	193
Prepays and other assets	1,687	1,770
Deferred tax asset (B)	1,161	-
Investments in joint ventures	3,203	3,775
Intangibles, net	86,620	91,148
Capital assets, net (C)	144,648	138,585
Total assets	\$ 258,914	\$ 244,787

See Appendix A for financial statements

ULREF Consolidated Statements of Position (cont'd)

- A. Paid \$5.5 million in principal payments on the Louisville Research Park note during the calendar year 2022.
- B. ULREF made a \$2 million payment to ULF in June 2022.

	December	
	2022	2021
	<i>(in thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 202	\$ 185
Other liabilities	746	403
Debt (A)	49,659	57,000
Due to ULF (B)	10,931	12,912
Total liabilities	61,538	70,500
Net assets	197,376	174,287
Total liabilities and net assets	\$ 258,914	\$ 244,787

See Appendix A for financial statements

ULREF Debt

Loan	Terms	Fiscal Year of Maturity	Outstanding Principal Dec. 31, 2022 (in thousands)
220 S. Preston - Permanent Financing \$9.3 million	<ul style="list-style-type: none"> Fixed 3.65% rate 5-year maturity and a 20-year amortization, balloon payment at maturity Quarterly principal and interest payments 	2024	\$ 7,705
KYT, LLC – Note Payable \$19.5 million	<ul style="list-style-type: none"> Variable rate - SOFR plus 2.05% Monthly interest-only payments Principal due in full at maturity 	2024	\$ 5,500
Dorm, LLCs - Northwestern Mutual Loan \$42 million	<ul style="list-style-type: none"> Fixed 4.77% rate 20-year amortization Monthly principal and interest payments 	2038	\$ 36,463

Schedule of Cumulative Remaining Payments

<i>(in thousands)</i>	
Year ending June 30,	
2023	\$ 876
2024	14,567
2025	1,672
2026	1,754
2027	1,839
Thereafter	28,951
	\$ 49,659

Debt without Payment Schedule

Outstanding Principal at Dec. 31, 2022	
<i>(in thousands)</i>	
Due to ULF	\$ 10,889

Real Estate Performance

- Joint Ventures:
 - Campus Two and Campus Three are non-consolidated joint ventures. ULREF is a 51% partner in each joint venture.
 - Infrastructure investments at ShelbyHurst are included in the cash investment for the joint ventures.

	Annualized Cash Flows (Deficit)	Total Cash Investment <i>(in thousands)</i>	Cash Return (Loss) %
<u>Strategic Properties</u>			
Cardinal Station	676	12,752	5.3%
JD Nichols Garage	166	9,476	1.8%
UofL Research Park (LRP)	(446)	14,000	(3.2%)
One Innovation Center	76	7,579	1.0%
Bed Bath & Beyond	372	7,000	5.3%
Solae	262	3,600	7.3%
UofL Optimal Aging	52	3,567	1.5%
K-I Lumber	188	3,441	5.5%
South Preston Lot	40	2,885	1.4%
301 Lot Surface Parking	40	2,826	1.4%
<u>Joint Ventures</u>			
Campus Two	339	3,575	9.5%
Campus Three	918	5,226	17.6%

Historical TIF Increment Receipts

- The 2019 Metro HSC TIF proceeds were received in November 2022.
- The 2020 State HSC TIF increment was received in July 2022.
- No increment is expected from the State for the tax year 2020 Belknap TIF.
- Metro has begun processing our tax year 2019 HSC TIF request.
- The State is processing our tax year 2021 HSC TIF request. They have provided their initial calculation, and we have submitted our responses and inquiries.

Tax Year	Health Science Campus TIF		Belknap Campus TIF	
	State	Metro	State	Metro
2011	4,632	775	-	-
2012	4,544	1,443	-	-
2013	3,819	1,083	-	-
2014	2,087	1,722	62	36
2015	2,648	1,653	62	86
2016	5,191	2,281	62	376
2017	6,794	2,298	-	360
2018	7,198	1,911	-	355
2019	6,837	1,687	-	433
2020	8,680	-	-	-
2021	TBD	TBD	TBD	TBD

Appendix A

University of Louisville Real Estate Foundation, Inc.
Consolidated Statements of Financial Position
(in thousands)

	December		
	2022	2021	Variance
Assets			
Cash	\$ 20,693	\$ 9,316	\$ 11,377
Accounts receivable, net	902	193	709
Prepays and other assets	1,687	1,770	(83)
Deferred tax asset	1,161	-	1,161
Investments in joint ventures	3,203	3,775	(572)
Intangibles, net	86,620	91,148	(4,528)
Capital assets, net	144,648	138,585	6,063
Total assets	\$ 258,914	\$ 244,787	\$ 14,127
Liabilities and net assets			
Liabilities:			
Accounts payable	\$ 202	\$ 185	\$ 17
Other liabilities	746	403	343
Debt	49,659	57,000	(7,341)
Due to ULF	10,931	12,912	(1,981)
Total liabilities	61,538	70,500	(8,962)
Net assets:			
Net assets	197,376	174,287	23,089
Total liabilities and net assets	\$ 258,914	\$ 244,787	\$ 14,127

University of Louisville Real Estate Foundation, Inc.
Consolidated Income Statements and Budget Comparison
For the Six Months Ended December 31,
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>Budget</u>	<u>Variance</u>
Revenues					
Rental revenues	\$ 2,112	\$ 2,195	\$ (83)	\$ 1,870	\$ 242
Dorm rental revenues	5,103	4,508	595	4,345	758
Parking revenues	365	399	(34)	397	(32)
Tax increment financing revenues	8,680	-	8,680	9,300	(620)
Gift revenues	65	-	65	0	65
Other revenues	562	351	211	392	170
Total revenues	16,887	7,453	9,434	16,304	583
Operating Expenses					
Salaries	571	585	(14)	639	(68)
General and administrative	939	602	337	1,020	(81)
Professional services	582	587	(5)	631	(49)
Utilities	866	660	206	718	148
Repairs and maintenance	1,341	964	377	1,006	335
Total operating expenses	4,299	3,398	901	4,014	285
Net operating income (NOI)	12,588	4,055	8,533	12,290	298
Other expenses after NOI					
Tax expense	91	-	91	-	91
Depreciation and amortization	4,328	4,450	(122)	4,434	(106)
Interest expense	1,191	1,191	-	1,188	3
Total other expenses after NOI	5,610	5,641	(31)	5,622	(12)
Consolidated net income (loss)	\$ 6,978	\$ (1,586)	\$ 8,564	\$ 6,668	\$ 310

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF
UNIVERSITY OF LOUISVILLE REAL ESTATE FOUNDATION, INC.**

At a duly convened meeting of the Board of Directors (the “**Board**”) of the University of Louisville Real Estate Foundation, Inc., a Kentucky nonprofit corporation (“**ULREF**”), held on of January 25, 2023, the Board adopted the following resolutions:

Approval of Amended and Restated Articles of Organization of 515 Building, LLC

WHEREAS, ULREF is the sole member and manager of 515 Building, LLC, a Kentucky limited liability company (“**515 Building**”);

WHEREAS, the Board desires to amend and restate the Articles of Organization of 515 Building in order to make clear that 515 Building is a Kentucky nonprofit limited liability company and to reflect best practices for Kentucky nonprofit limited liability companies, pursuant to the Amended and Restated Articles of Organization, substantially in the form presented to the Board (the “**515 Amended and Restated Articles**”); and

WHEREAS, the Board desires to effect the 515 Building Amended and Restated Articles, pursuant to those certain Articles of Amendment of the Articles of Organization, substantially in the form presented to the Board (the “**515 Articles of Amendment**”).

NOW, THEREFORE, BE IT RESOLVED, that the Board does hereby authorize and approve the 515 Amended and Restated Articles and 515 Articles of Amendment.

Approval of Amended and Restated Operating Agreement of 515 Building

WHEREAS, the Board desires to amend and restate 515 Building’s Operating Agreement, in its entirety, to reflect the nonprofit status of 515 Building, pursuant to that certain Amended and Restated Operating Agreement, substantially in the form presented to the Board (the “**515 Operating Agreement**”).

NOW, THEREFORE, BE IT RESOLVED, that the Board does hereby authorize and approve the 515 Operating Agreement.

Approval of Amended and Restated Articles of Organization of 248 E. Market, LLC

WHEREAS, ULREF is the sole member and manager of 248 E. Market, LLC, a Kentucky limited liability company (“**248 E. Market**”);

WHEREAS, the Board desires to amend and restate the Articles of Organization of 248 E. Market in order to make clear that 248 E. Market is a Kentucky nonprofit limited liability company and to reflect best practices for Kentucky nonprofit limited liability companies, pursuant to the Amended and Restated Articles of Organization, substantially in the form presented to the Board (the “**248 E. Market Amended and Restated Articles**”); and

WHEREAS, the Board desires to effect the 248 E. Market Amended and Restated Articles, pursuant to those certain Articles of Amendment of the Articles of Organization, substantially in the form presented to the Board (the “**248 E. Market Articles of Amendment**”).

NOW, THEREFORE, BE IT RESOLVED, that the Board does hereby authorize and approve the 248 E. Market Amended and Restated Articles and 248 E. Market Articles of Amendment.

Approval of Amended and Restated Operating Agreement of 248 E. Market

WHEREAS, the Board desires to amend and restate 248 E. Market’s Operating Agreement, in its entirety, to reflect the nonprofit status of 248 E. Market, pursuant to that certain Amended and Restated Operating Agreement, substantially in the form presented to the Board (the “**248 E. Market Operating Agreement**”).

NOW, THEREFORE, BE IT RESOLVED, that the Board does hereby authorize and approve the 248 E. Market Operating Agreement.

Omnibus Resolutions

RESOLVED, that the officers of ULREF be and hereby are each authorized, empowered and directed, for and on behalf of ULREF and in its name, to execute, deliver, file and record such agreements, instruments, documents and certificates (including the 515 Articles of Amendment and 248 E. Market Articles of Amendment) and to take or cause to be taken such other and further action as they shall, in their reasonable discretion, deem necessary or appropriate in order to effectuate the purposes of, and implement, the foregoing resolutions and all actions heretofore taken by them in connection with the foregoing, are hereby ratified, confirmed, adopted and approved.

BOARD ACTION:

Passed X

Did Not Pass _____

Other _____



Powell Spears, Secretary
University of Louisville Real Estate Foundation, Inc.