



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 2:31 p.m. on January 30, 2024, in the Foundation's Board Room in Cardinal Station, 215 Central Avenue. Members were present and absent as follows:

- Present: Mr. Steve Gault, Chair
Mr. Scott Brinkman
Ms. Jessica Cole
Mr. Charlie Dahlem (*via videoconference*)
Ms. Jill Force
Ms. Mariah Gratz (*via videoconference*)
Mr. Mark Nickel
Dr. Kim Schatzel
Mr. Keith Sherman
Mr. Jake Smith
Mr. Powell Spears
- From the Foundation: Mr. Jake Robertson, Senior Accountant
Mr. Justin Ruhl, Controller
Ms. Julie Soule, Executive Assistant
- From Legal Counsel: Mr. Franklin Jelsma, Wyatt, Tarrant & Combs
- From the University: Mr. Dan Durbin, EVP for Finance & Administration (*via videoconference*)
- Guest: Ms. Courtney Norris, RunSwitch

I. Call to Order

Having determined a quorum present, Mr. Gault called the regular meeting to order at 2:31 p.m. No conflicts of interest or appearances of conflicts were identified.

II. Consent Agenda

Mr. Gault read the Consent Agenda as follows: Approval of Minutes from October 25, 2023. Mr. Sherman noted a typographical error had been corrected on the second page of the minutes. Mr. Brinkman made a motion, which Mr. Nickel seconded, to approve the Consent Agenda as amended. The motion passed.

III. Property Committee Report

Ms. Gratz reported the Property Committee reviewed leasing activities across the portfolio at their January 23, 2024, meeting. Overall, the Foundation's properties are performing well. She noted the Committee also discussed a few specific business proposals and potential litigation that will be discussed during the executive session.

IV. Information Item: Fiscal Year 2024 Second Quarter Financial Update

Mr. Ruhl reviewed the **attached** second quarter financial presentation highlighting the consolidated income statements, cash position, debt payments, and TIF revenue.

V. Reports from the Executive Director

Mr. Sherman stated the Foundation is healthy overall, it has about \$20M in cash. The Foundation had anticipated spending \$12M on research park infrastructure work this fiscal year, but that work has been paused while the Foundation works with the University to develop a robust plan for the research park.

Consequently, Mr. Sherman recommends the Foundation pay off the remaining University of Louisville Foundation payable. It dates back to 2015 when the Real Estate Foundation was created and received cash and real properties from the University of Louisville Foundation. The Foundation has been aggressively making payments because the money came out of the Main Endowment Pool and it is being put back in the Pool as it is repaid. The current balance is approximately \$5.4M, down from a balance of \$29M in December 2016.

Additionally, the Foundation has a balloon payment due on the Preston St. Garage loan in June. Mr. Sherman recommends paying half the current balance and refinancing the other half. The current loan balance is approximately \$7.4M.

Mr. Sherman stated the Property Committee is supportive of the two recommendations. He noted that the Foundation had budgeted receiving an \$11M TIF payment this year. There have been challenges receiving data needed to file the payment request, so the filing has been delayed.

The research park work group is finalizing an RFP to select a consultant to assist in the development of a data driven concept for the research park as well as a strategic action plan. Mr. Sherman noted that Dr. Jon Klein is the new Interim Executive Vice President for Research and Innovation and is chairing the work group.

The University has requested funding from the state for a health sciences simulation center and collaboration hub. The building is planned for the southeast corner of Preston and Chestnut Streets which currently includes real property owned by the Foundation. At a future date, the Board will consider a resolution donating the real property to the University, and the University Board of Trustees will need to approve the donation. Mr. Sherman noted the basement of the Foundation's building currently houses the information technology infrastructure for the Health Sciences Campus.

Mr. Sherman stated consents regarding the anticipated transaction whereby the Foundation will become a wholly-controlled subsidiary of the University of Louisville Foundation, Inc. were sent out and responses are beginning to come in.

VI. Executive Session to Discuss Specific Business Proposals and Potential Litigation Pursuant to KRS 61.810(1)(g) and (c)

Ms. Cole made a motion at 3:00 p.m., which Mr. Nickel seconded, to go into executive session to discuss a few specific business proposals and potential litigation pursuant to KRS 61.810(1)(g) and (c). The motion passed.

VII. Reconvene Open Session

Open session reconvened at 3:25 p.m., Mr. Gault reported specific business proposals and potential litigation were discussed during the executive session. No action was taken.

VIII. Other Business

The Board unanimously approved paying the entirety of the debt owed to the University of Louisville Foundation, effective immediately.

Upon a motion by Mr. Brinkman that was seconded by Mr. Nickel, the Board approved paying half the current balance of the 220 South Preston St. Garage loan and refinancing the other half. The current loan balance is approximately \$7.4M.

IX. Adjournment

Having no other business, Ms. Force made a motion to adjourn, which Ms. Cole seconded. The meeting adjourned at 3:27 p.m.


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



Financial Update
January 2024

Executive Summary

LMCDC received \$2.1M from Louisville Metro for tax year 2021 increment generated by the HSC TIF.

ULREF completed the sale of the 425 W. Lee Street property in November.

Grant Thornton will perform Agreed Upon Procedures (AUPs) to confirm compliance with local TIF participation agreements. Reports are due in March.

ULREF Consolidated Income Statements

- A. Rental revenues underbudget due to multiple months of rent abatement at the Rowan Street property.
- B. Variance attributable to the following: Cardinal Station – HVAC units, dumpster pad and fencing. Brook Street Warehouse storage containers and lighting improvements. These items did not meet the threshold for capitalization.

Financial information related to the Dorm LLCs has been eliminated from this presentation.

	For the Six Months Ended December 31,				
	2023	2022	Variance	Budget	Variance
	<i>(in thousands)</i>				
Revenues					
Rental revenue (A)	\$ 2,105	\$ 2,258	\$ (153)	\$ 2,220	\$ (115)
Parking revenue	449	439	10	429	20
Tax increment financing revenue	-	8,680	(8,680)	-	-
Gift revenue	-	65	(65)	-	-
Other revenues	365	320	45	362	3
Total revenues	3,142	11,762	(8,620)	3,011	131
Expenses					
Salaries	104	110	(6)	100	4
General and administrative	360	385	(25)	390	(30)
Professional services	532	482	50	540	(8)
Utilities	376	426	(50)	431	(55)
Repairs and maintenance (B)	684	648	36	556	128
Total operating expenses	2,056	2,051	5	2,017	39
Net operating income	1,086	9,711	(8,625)	994	92
Other expenses after NOI					
Tax expense	166	95	71	83	83
Depreciation and amortization	3,108	3,121	(13)	3,129	(21)
Interest expense	137	338	(201)	138	(1)
Total other expenses after NOI	3,411	3,554	(143)	3,350	61
Change in net assets	\$ (2,325)	\$ 6,157	\$ (8,482)	\$ (2,356)	\$ 31

See Appendix A for financial statements

ULREF Consolidated Statements of Position

- A. TIF proceeds held in money market account currently earning 5.25%.
- 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.

Financial information related to the Dorm LLCs has been eliminated from this presentation.

	December	
	2023	2022
	<i>(in thousands)</i>	
Assets		
Cash	\$ 878	\$ 1,083
Accounts receivable, net	436	468
Short-term investments (A)	19,845	14,078
Prepays and other assets	948	760
Deferred tax asset (B)	729	1,161
Investments in joint ventures	1,404	3,203
Intangibles, net	82,122	86,620
Capital assets, net	91,687	94,385
Total assets	\$ 198,049	\$ 201,758

See Appendix A for financial statements

ULREF Consolidated Statements of Position (cont'd)

- A. ULREF paid off the KYT note in FY23.
- B. ULREF made payments totaling \$5.5 million to ULF in FY23.

Financial information related to the Dorm LLCs has been eliminated from this presentation.

	December	
	2023	2022
	<i>(in thousands)</i>	
Liabilities and net assets		
Liabilities:		
Accounts payable	\$ 107	\$ 179
Other liabilities	466	420
Debt (A)	7,356	13,206
Due to ULF (B)	5,485	10,931
Total liabilities	13,414	24,736
Net assets	184,635	177,022
Total liabilities and net assets	\$ 198,049	\$ 201,758

See Appendix A for financial statements

ULREF Debt

Loan	Terms	Maturity Date	Outstanding Principal December 31, 2023 <i>(in thousands)</i>
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 	June 2024	\$ 7,356
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 	December 2038	\$ 34,773

Schedule of Cumulative Remaining Payments

<i>(in thousands)</i>	
Year ending June 30,	
2024	8,030
2025	1,672
2026	1,754
2027	1,839
2028	1,929
Thereafter	26,905
	\$ 42,129

Debt without Payment Schedule

Outstanding Principal at December 31, 2023	
<i>(in thousands)</i>	
Due to ULF	\$ 5,485

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.

	Cash Flows (Deficit)	Total Cash Investment <i>(in thousands)</i>	Cash Return (Loss) %
<u>Properties</u>			
UofL Research Park (LRP)	(54)	19,500	0%
Cardinal Station	646	12,752	5%
JD Nichols Garage	246	9,476	3%
One Innovation Center	117	7,579	2%
Bed Bath & Beyond	180	7,000	3%
Solae	255	3,600	7%
UofL Optimal Aging	67	3,567	2%
K-I Lumber	122	3,441	4%
South Preston Lot	65	2,885	2%
301 Lot Surface Parking	54	2,826	2%
<u>Joint Ventures</u>			
Campus Two	574	3,575	16%
Campus Three	333	5,226	6%

Historical TIF Increment Receipts

- LMCDC received a check for tax year 2021 HSC TIF increment in October.
- We are gathering employment data for tax year 2022 and plan to make an increment request in the coming months.

Tax Year	Health Science Campus TIF		Belknap Campus TIF		Total
	State	Metro	State	Metro	
	<i>(in thousands)</i>				
2011	4,632	775	-	-	5,407
2012	4,544	1,443	-	-	5,987
2013	3,819	1,083	-	-	4,902
2014	2,087	1,722	62	36	3,907
2015	2,648	1,653	62	86	4,449
2016	5,191	2,281	62	376	7,910
2017	6,794	2,298	-	360	9,452
2018	7,198	1,911	-	355	9,464
2019	6,837	1,788	-	433	9,058
2020	8,680	1,557	-	TBD	10,237
2021	8,580	2,166	-	TBD	10,746
Total	\$ 61,010	\$ 18,677	\$ 186	\$ 1,646	\$ 81,519