City of Las Cruces®

PEOPLE HELPING PEOPLE

Council Action and Executive Summary

Item # 15 **Ordinance/Resolution#** 2704

For Meeting of January 21, 2014 (Ordinance First Reading Date) **For Meeting of** February 4, 2014 (Adoption Date)

Please check box that applies to this item:

☐ QUASI JUDICIAL ☒ LEGISLATIVE ☐ ADMINISTRATIVE

TITLE: AN ORDINANCE SUPPORTING AN ECONOMIC DEVELOPMENT PROJECT IN ACCORDANCE WITH THE CITY OF LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2013, AUTHORIZING AN ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT FOR THE CITY OF LAS CRUCES TO CONVEY THE FORMER CITY OFFICE CENTER TO LA CLINICA DE FAMILIA FOR USE AS A CENTRAL COMMUNITY HEALTH CENTER.

PURPOSE(S) OF ACTION:

To support and authorize an agreement.

COUNCIL DISTRICT: ALL		
Drafter/Staff Contact: Elizabeth Vega	**Department/Section:** Finance/Grants	**Phone:** 575-541-2717
City Manager Signature:		

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

The City of Las Cruces has adopted a Local Economic Development Plan 2013. Having a Local Plan allows the City to implement the New Mexico Local Economic Development Act. That Act is a voter-approved amendment to the anti-donation clause of the New Mexico constitution and authorizes local governments to use public resources for economic development purposes. The City may provide incentives in the form of municipally-owned resources, municipal services, job training assistance and/or financial incentives. Neither the state statute nor the local plan provides any funding. Funding for any incentives must come from current revenues and resources. One of the resources at the City's disposal is the property and building located at 575 S. Alameda Blvd., the former City Office Center.

In considering how to utilize its available incentives, the City must consider the requestor's financial strength, management capability and commitment to the community. Along with the strength of the entity, the City must also consider the feasibility of the proposed economic development project, and how the City will benefit from the project.

(Continue on additional sheets as required)

La Clinica de Familia (LCDF) is an established medical provider within the Las Cruces community. They have submitted an economic development project application and an Economic Development Project Participation Agreement has been drafted that outlines the details of the City's incentives that will be given and what LCDF will provide in return.

Over the course of the three year project, LCDF will create at least 55 new jobs. They will also significantly renovate the building to fit the needs of creating a centrally-located health clinic. The City will convey the land and property to LCDF for that purpose. In order to secure the City's contribution to the project, LCDF will maintain a standby letter of credit from a commercial bank in the amount of $979,000.00. The $979,000.00 figure was reached by averaging the value of the land and building given in the City's and LCDF's appraisals; both appraisals executive summaries are attached. The standby letter of credit will be held in escrow and the City may exercise its right to recover under the said letter of credit in the event that the City becomes entitled to recover a portion of the City's contribution to the project by failure of LCDF to meet measurable project goals as described in the Economic Development Project Participation Agreement.

The milestones and measurable goals will be reviewed by the City's Economic Development Office with the support of other City departments as deemed necessary to ensure the project's mission is met and the City's contributions are secure.

SUPPORT INFORMATION:

1. Ordinance.
2. Exhibit "A", Project Participation Agreement.
3. Attachment "A", Executive Summary of City Appraisal, 575 S. Alameda Blvd.
4. Attachment "B", Executive Summary of LCDF Appraisal, 575 S. Alameda Blvd.

SOURCE OF FUNDING:

Is this action already budgeted?			
	Yes	☐	See fund summary below
	No	☐	If No, then check one below:
N/A	*Budget Adjustment Attached*	☐	Expense reallocated from: _____
		☐	Proposed funding is from a new revenue source (i.e. grant; see details below)
		☐	Proposed funding is from fund balance in the _____ Fund.
Does this action create any revenue?			
	Yes	☐	Funds will be deposited into this fund: _____in the amount of _____ for FY _____.
N/A	No	☐	There is no new revenue generated by this action.

(Continue on additional sheets as required)

BUDGET NARRATIVE

N/A

FUND EXPENDITURE SUMMARY:

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
N/A	N/A	N/A	N/A	N/A	N/A

OPTIONS / ALTERNATIVES:

1. Vote "Yes"; this will authorize the Economic Development Project Participation Agreement between the City of Las Cruces and La Clinica de Familia.
2. Vote "No"; this will not allow the conveyance of land and property to La Clinica de Familia.
3. Vote to "Amend"; this will require direction from Council to City staff.
4. Vote to "Table"; this could affect the timeline set forth in the Project Participation Agreement.

REFERENCE INFORMATION:

1. Ordinance 2697.

(Continue on additional sheets as required)

COUNCIL BILL NO. 14-019
ORDINANCE NO. 2704

AN ORDINANCE SUPPORTING AN ECONOMIC DEVELOPMENT PROJECT IN ACCORDANCE WITH THE CITY OF LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2013, AUTHORIZING AN ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT FOR THE CITY OF LAS CRUCES TO CONVEY THE FORMER CITY OFFICE CENTER TO LA CLINICA DE FAMILIA FOR USE AS A CENTRAL COMMUNITY HEALTH CENTER.

The City Council is informed that:

WHEREAS, the City of Las Cruces, New Mexico, a municipal corporation, is the owner of the building and land situated at 575 S. Alameda Blvd., formerly the City Office Center; and

WHEREAS, the City of Las Cruces adopted the Las Cruces Local Economic Development Plan 2013 by Ordinance No. 2697 to allow the City to offer land and structures as an incentive to individual business to create jobs; and

WHEREAS, La Clinica de Familia (LCDF) is a qualifying entity under the Local Economic Development Act and is interested in partnering with the City in creating a medical complex in the central part of Las Cruces; and

WHEREAS, LCDF is subject to clawback provisions outlined in Exhibit "A", the Economic Development Project Participation Agreement.

NOW, THEREFORE, Be it ordained by the governing body of the City of Las Cruces:

(I)

THAT the Economic Development Project Participation Agreement attached hereto as Exhibit "A", is hereby approved.

(II)

THAT the City of Las Cruces shall convey the land and property located at 575 S. Alameda Blvd. to La Clinica de Familia in accordance with the previously-referenced Economic Development Project Participation Agreement.

(III)

THAT City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

DONE AND APPROVED this _____ day of _____ 20___.

APPROVED:

_____
Mayor

ATTEST:

_____
City Clerk

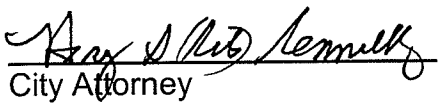
(SEAL)

VOTE:
Mayor Miyagishima: ____
Councillor Silva: ____
Councillor Smith: ____
Councillor Pedroza: ____
Councillor Small: ____
Councillor Sorg: ____
Councillor Levatino: ____

Moved by: _____

Seconded by: _____

APPROVED AS TO FORM:


City Attorney

ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT LA CLINICA DE FAMILIA LAS CRUCES CENTRAL COMMUNITY HEALTH CENTER

THIS AGREEMENT is made and entered into the ____ day of _____, 2014, by and between **La Clinica de Familia, LLC**, a New Mexico limited liability company, whose address is 385 Calle de Alegra, Bldg. A, Las Cruces, New Mexico 88005 and **The City of Las Cruces**, a New Mexico municipal corporation, whose address is P.O. Box 20000, Las Cruces, New Mexico 88004-9002.

WHEREAS, La Clinica de Familia, LLC ("LCDF") provides health and dental services in Las Cruces and Doña Ana County, New Mexico, and is a Qualifying Entity under the Local Economic Development Act (Chapter 5, Article 10, NMSA 1978, as amended) and the Las Cruces Local Economic Development Plan 2004; and

WHEREAS, LCDF anticipates a significant increase in the demand for its services as a consequence of federal regulations and programs such as Medicaid under the Affordable Care Act, which will require LCDF to obtain additional space and hire many additional health care and support workers; and

WHEREAS, the former hospital facility and former municipal office annex located at the intersection of W. Lohman Ave. and S. Alameda Blvd. (575 S. Alameda Blvd.; the "Old City Annex"), presently owned by the City of Las Cruces (the "City"), is well located to serve as a health clinic for LCDF's purposes but will require extensive rehabilitation and remodeling to meet LCDF's needs; and

WHEREAS, in the rehabilitation and reuse of the Old City Annex by LCDF, in addition to providing health care benefits to the community, will also provide significant economic benefits to the City of Las Cruces as hereinafter set forth; and

WHEREAS, the City is willing to enter into this agreement and convey the Old City Annex to LCDF as the City's contribution to LCDF's economic development project for the Old City Annex, in accordance with the City's Local Economic Development Plan 2004 as adopted by City Ordinance No. 2122 on July 19, 2004, and as subsequently amended, and pursuant to the terms of this Project Participation Agreement ("Agreement").

NOW, THEREFORE, the parties hereto agree as follows:

1. **Project Goals:** The goals of the Economic Development Project described in this Agreement (the "Project") are (a) to provide a modern, fully up-to-date facility for the provision of medical care, mental health care, and dental care in the central part of Las Cruces, and (b) to enhance the Las Cruces economy by creating a minimum of at least 55 new jobs during the first two years after the facility is ready, and additional jobs during further expansion thereafter.

2. **Project Location:** The Project location is the real property at 575 S. Alameda Blvd., Las Cruces (southeast corner of W. Lohman Ave. and S. Alameda Blvd.), including the

present building located thereon which will be renovated by LCDF as part of the Project. The first phase of renovation, included in the Project, is expected to make approximately 22,000 square feet available for LCDF providers, and improve the external appearance and functionality of the building.

3. **City Contributions:** In order to achieve the goals of this Agreement, the City will promptly convey the Project property to LCDF by warranty deed following the execution of this Agreement, at no direct cost to LCDF. The Project property is appraised at $979,,000 in its present condition, which sum is recognized as the City's contribution to the Project.

4. **LCDF Contributions:** In order to achieve the goals of this Agreement, LCDF upon acquiring the Project property from the City will promptly commence the rehabilitation of the property and its remodeling and renovation to meet the needs of LCDF and its clients. Rehabilitation, remodeling and renovation in the first phase will include asbestos abatement (removal of asbestos or containment if approved by appropriate regulatory authority) and remodeling of about 22,000 square feet of the building interior to provide examination and treatment rooms, office space, nursing stations, and other facilities for the provision of physical and mental health services, including an urgent care clinic, and dental care. Phase I renovation and remodeling are expected to cost about $1,837,000 (including architects' fees) plus applicable gross receipts taxes, and be completed by about August 2015. Recruitment of new personnel will begin before the work is completed, and new personnel will begin moving into the new facility immediately after a certificate of occupancy is received. For purposes of this Agreement, within two (2) years after the completion of Phase I, LCDF commits to have hired a **minimum** of 55 new full-time employees, of which at least 13 positions will be high-salaried medical professionals (salaries greater than 120% of the New Mexico Department of Labor's average salary figure for Doña Ana County) and an additional 6 positions will be at least mid-range salaries (between 80% and 120% of the NMDOL average salary figure). These 55 new full-time employees will be in addition to the current workforce employed by LCDF in Las Cruces and Doña Ana County. To the extent possible, positions will be filled by Doña Ana County residents. However, some medical professional positions will require a nationwide search to find persons with the desired qualifications and experience who are willing to relocate to Doña Ana County.

5. **Property Development:** LCDF represents and warrants that the Project property will be used by LCDF solely for purposes related to the provision of health and dental care and closely related purposes, including but not necessarily limited to medical residency programs and other educational programs. The property will be developed in accordance with all applicable zoning and land use ordinances and regulations of the City.

6. **Timeline and Measurable Goals:** The Project includes Phase I of the building reconstruction, renovation and remodeling, and the employment of the medical professionals and support personnel to staff the new clinic during its first two years of operation. LCDF commits to meeting the measurable goals shown in the following table within the time frames indicated, and failure to meet any of these goals, unless due to force majeure or conditions beyond the control of LCDF, may be deemed a default of LCDF's obligations under this Agreement, and the City shall be entitled to recover proportional compensation for a portion of its contribution to the

Project as provided in Section 7 below. In the event any date set forth in the following table falls on a Saturday, Sunday or legal holiday, the action will be deemed timely if completed by close of business on the next day thereafter that is not a Saturday, Sunday or legal holiday.

Event	Contingency	Date Assuming Conveyance on January 31, 2014
Conveyance of property to LCDF	--	January 31, 2014
Asbestos Abatement Complete	60 days after conveyance	April 1, 2014
Construction Drawings Complete	105 days after conveyance	May 16, 2014
Approvals Obtained	150 days after conveyance	June 30, 2014
First Measurable Goal: Construction Complete	545 days after conveyance	**Not later than August 31, 2015**
		Date Assuming Construction Complete on July 30, 2015
Second Measurable Goal: 15 New Positions Filled	**180 days after construction complete**	**January 26, 2016**
Third Measurable Goal: 30 New Positions Filled	**360 days after construction complete**	**July 24, 2016**
Fourth Measurable Goal: 45 New Positions Filled	**540 days after construction complete**	**January 20, 2017**
Fifth Measurable Goal: 55 New Positions Filled	**720 days after construction complete**	**July 19, 2017**

7. **Security to Ensure Performance by LCDF:** To protect the City's contribution and ensure performance of LCDF's obligations under this Agreement, at the time the City transfers the Project property to LCDF, LCDF will simultaneously provide the City a standby letter of credit from a commercial bank in the amount of $979,000, in a form satisfactory to the City, and shall also grant the City a lien, but not necessarily a first lien, on the Project property, which lien shall also be in the amount of $979,000. The standby letter of credit will be held in escrow, and the City may exercise its right to recover under the said letter of credit in the event that the City becomes entitled to recover a portion of the City's contribution to the Project by failure of LCDF to meet measurable Project goals as described in this Agreement, until fully released as described below.

The standby letter of credit and lien shall be released incrementally by the City upon LCDF's partial completion of its obligations under this Agreement, in accordance with the milestones set out in the following table:

[*Remainder of page intentionally left blank.*]

Milestone	City Release
First Measurable Goal (Phase I Construction Complete)	30% of lien and letter of credit
Second Measurable Goal (15 New Positions Filled)	Additional 15% of lien and letter of credit (total 45%)
Third Measurable Goal (30 New Positions Filled)	Additional 20% of lien and letter of credit (total 65%)
Fourth Measurable Goal (45 New Positions Filled)	Additional 20% of lien and letter of credit (total 85%)
Fifth Measurable Goal (55 New Positions Filled)	Remainder of lien and letter of credit (100% release)

The parties recognize and agree that LCDF will secure a construction loan for the rehabilitation, reconstruction and remodeling of the Project, and that such loan shall have a lien on the Project property that may be prior and senior to the lien of the City thereon.

In the event of a material failure by LCDF to meet its commitments under this Agreement within two (2) years after the Phase I rehabilitation and reconstruction is completed, the City may recover from LCDF that portion of the City's $800,000 contribution that is proportional to the failure of LCDF to complete its obligations under this Agreement, taking into account the amounts actually expended and the new employees actually hired by LCDF. For purposes of this Agreement, the parties agree and stipulate that thirty percent (30%) of LCDF's commitment shall consist of the completion of the Phase I rehabilitation and remodeling of the property, and seventy percent (70%) of LCDF's commitment shall consist of timely employing the newly hired employees as described in the foregoing enumeration of Measurable Goals. However, the City's proportional recovery of its contribution, if any, shall be determined based on the extent of completion of all Measurable Goals as of the date that is two (2) years after completion of the Phase I construction.

8. **Performance Review:** Within 30 days of the conveyance of the property, LCDF will submit a letter report listing its current employees, the positions they currently occupy, and any unfilled vacancies. LCDF will then submit a letter report to the City Manager promptly following completion of the Phase I construction (First Measurable Goal), which will include the date that the construction was complete and the project was accepted by LCDF. The letter report will also list the dates for completion of each subsequent Measurable Goal, based on the timetable set forth in this Agreement. Thereafter, within ten (10) days following the date for completion of each Measurable Goal, LCDF will submit to the City Manager a letter report advising the City of the number of new positions filled as of the Measurable Goal date, the name of the employee and the salary range of those positions, and including such other information regarding the filling of the new positions as may seem appropriate to LCDF or as may be reasonably requested by the City. In addition, whenever each Measurable Goal has been met, LCDF will submit to the City Manager a report with documentation showing that the Measurable Goal has been met, with a request for release of the appropriate portion of the City's lien and LCDF's standby letter of credit provided to the City. If the City concurs that the Measurable Goal has been met, the City will within ten (10) business days after receiving the report release

the appropriate portion of the City's lien and the standby letter of credit. If the City does not concur that the Measurable Goal has been met, the City will promptly contact LCDF so that the parties may address and resolve the disagreement.

In the event LCDF fails to meet any Measurable Goal, then on the request of the City officers of the parties will meet to discuss the matter and determine whether any remedial action may be appropriate to ensure that future goals are met. However, no remedial action shall be implemented except on the mutual agreement of LCDF and the City.

9. **Cost and Fees:**

(a) LCDF will be solely responsible for all development costs including but not limited to development fees, permits, applications, utility extensions and utility hook-up fees.

(b) If either party to this Agreement is found by a court to have breached this Agreement, the other party may recover reasonable attorney's fees and costs of litigation. Prior to the institution of any litigation, however, the parties have the contractual duty to meet in good faith and attempt to resolve any controversy hereunder at the least possible expense.

10. **Agreement Term:** This Agreement shall become effective upon its execution by the parties following its approval by the City Council of the City of Las Cruces and the Board of Directors of LCDF. This Agreement shall continue in full force and effect until (a) LCDF has met all of its Measurable Goals as set forth in Section 8 hereof, and (b) the City has fully released its lien on the Project property and has fully released the standby letter of credit as provided herein, at which time this Agreement shall terminate; provided, however, that this Agreement shall not terminate and shall remain in effect while there is any disagreement between the parties as to whether any Measurable Goal has been met, or while any remedial action is under way as a consequence of any failure to meet a Measurable Goal as provided in Section 8 hereof; and provided, further, that nothing contained in this Agreement shall be construed as a limitation on the City's power or authority to terminate its Local Economic Development Plan and dissolve any projects undertaken in accordance with it, including the Project, as provided in Section 5-10-12, NMSA 1978.

11. **Amendment of Agreement:** This Agreement may be amended only by written amendment executed by the parties hereto with the same formalities as this Agreement, and upon the specific approval of such amendment by the City Council of the City and by the Board of Directors of LCDF.

12. **Non-Assignment:** This Agreement is specific to the City and to LCDF, and shall not be assignable by either party except with the explicit written agreement of the other party hereto, duly approved and adopted as an Amendment to this Agreement in accordance with

13. **Binding Effect:** This Agreement shall bind and ensure to the benefit of the parties hereto and of their agents, officers, representatives and assigns, if any.

14. **No City Commitments except as Stated Herein:** The parties hereto expressly recognize and agree that the City and its officers, agents and employees undertake no commitments, duties or obligations in connection with this Agreement, except those obligations expressly stated herein. The City expressly rejects and disavows any obligations to LCDF, whether implicit or otherwise, except for those commitments and obligations expressly set forth in this Agreement.

15. **Indemnification:** LCDF shall indemnify and hold harmless, and shall defend the City from and against any claim for damages or any other claim that may be asserted by a third party against the City in connection with this Agreement or the Project, to the maximum extent permitted by law.

16. **No Waiver of Tort Claims Act:** Nothing contained in this Agreement shall be deemed to modify or limit any protection or limitation of liability provided to the City under the New Mexico Tort Claims Act (Sections 41-4-1 *et seq.*, NMSA 1978). All provisions of the Tort Claims Act remain in full force and effect, notwithstanding any provision of this Agreement.

17. **No Liability of Individual Officers, Agents or Trustees:** No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any officer, employee, director or member of the City Council of the City, past, present or future, nor against any director or officer of LCDF, past, present or future, as an individual, so long as such individual was acting in good faith.

18. **LCDF Not an Agent of the City:** Nothing contained herein shall be deemed to make LCDF or any of its directors, officers, employees, or contractors an agent or employee of the City for any purpose whatsoever. LCDF and its directors, officers, employees and contractors shall not purport to represent the City in any matter nor to have the authority to bind the City or create any obligation on the part of the City or its officers or employees as to any matter whatsoever, whether under any provision of this Agreement or any other theory of law or equity.

19. **Severability:** In the event that any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof, and all other provisions of this Agreement shall remain in full force and effect so long as their continuance does not have an unjust or inequitable result for either the City or LCDF.

20. **Integration Clause:** This Agreement constitutes the entire agreement of the parties as to the subject matter hereof, and no prior agreement or understanding between the parties as to the subject matter hereof, whether oral or written, shall be binding except to the extent explicitly incorporated within this Agreement.

21. **Governing Law:** This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico, including without limitation the Local Economic Development Act (Sections 5-10-1 through 5-10-13, NMSA 1978), and the ordinances of the City of Las Cruces.

22. **Captions:** The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

[*Remainder of page intentionally left blank.*]

[*Signature page follows.*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, which was approved by the City Council of the City of Las Cruces on January ___, 2014, and by the Board of Directors of La Clínica de Familia on January ___, 2014, effective as of the date first written above.

CITY OF LAS CRUCES

By: _____
The Honorable Ken Miyagishima,
Mayor

ATTEST:

_____
Esther Martinez-Carrillo
City Clerk

APPROVED AS TO FORM:

_____
Harry S. Connelly
City Attorney

LA CLINICA DE FAMILIA

By: _____
Suzan Martinez de Gonzales
Chief Executive Officer

ACKNOWLEDGMENT FOR CORPORATION

STATE OF NEW MEXICO)
) ss.
COUNTY OF DOÑA ANA)

The foregoing instrument was acknowledged before me on the ___ day of January, 2014, by Suzan Martinez de Gonzales, Chief Executive Officer of La Clínica de Familia, a New Mexico not-for-profit corporation, on behalf of the said Corporation.

_____
Notary Public

My commission expires:

_____

Attachment "A"

APPRAISAL OF
575 S. ALAMEDA BLVD.
LAS CRUCES CITY OFFICES BUILDING
LAS CRUCES, NEW MEXICO 88005

OCTOBER 10, 2013

FOR
CITY OF LAS CRUCES
MR. BILL HAMM
LAND MANAGER
PO BOX 20000
LAS CRUCES, NM 88004

BY
HARRY L. HANSEN, MAI, SRA
HANSEN REAL ESTATE APPRAISALS, INC.
545 S. MELENDRES, SUITE D
LAS CRUCES, NM 88005

SUMMARY APPRAISAL REPORT

SUBJECT: 575 S. Alameda Blvd., Las Cruces, NM.

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal is to estimate the market value, as defined, of the subject property, as of the effective date of the appraisal. The real estate interest being appraised is that of ownership in fee simple. The property is appraised as if free and clear, and as if without liens and encumbrances.

INTENDED USE OF REPORT:

This appraisal is intended to assist the client in asset management.

CLIENT AND INTENDED USERS: City of Las Cruces.

EFFECTIVE DATE OF VALUE: October 10, 2013.

DATE OF REPORT: November 20, 2013.

MARKET VALUE ESTIMATE: **$1,065,000.00**

This value is subject to the cost and time to bring the subject property into compliance with applicable building codes and ADA requirements as determined by the City of Las Cruces and its associates.

RECENT OWNERSHIP HISTORY:

To my knowledge the subject property is not currently under any agreement of sale or option and has not been sold within the past three years.

REASONABLE EXPOSURE TIME: One to three years.

HARRY L. HANSEN, MAI, SRA
NM Certification #44-G

Hansen Real Estate Appraisals, Inc. 545 S. Melendres, Suite D
Las Cruces, NM 88005 / (575) 526-2549

DEFINITION OF MARKET VALUE:

"Market Value" as defined in the Uniform Standards of Professional Appraisal Practice, by The Appraisal Foundation.

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what he considers his own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

SCOPE OF WORK:

Data used in this report was collected and confirmed from local sources only. This report does not use data from other cities, counties or states and no comparisons were made of the subject property or its environs with other market areas. The appraiser has inspected the interior and exterior of the subject property. The appraiser has inspected the exterior of all comparable sale properties. The Cost Approach, Sales Comparison Approach and Capitalized Income Approach to value have all been considered for use in this appraisal. Due to the age of the subject property the Cost Approach was not deemed useful in the value estimate process. The value being sought and the real estate interest being appraised is set forth in the Purpose of the Appraisal.
This value is subject to the cost and time to bring the subject property into compliance with applicable building codes and ADA requirements as determined by the City of Las Cruces and its associates.

This Summary Appraisal Report is a brief recapitulation of the appraiser's data, analyzes, and conclusions. Supporting documentation is retained in the appraiser's file.

IDENTIFICATION OF THE APPRAISED PROPERTY:

Type of Property: Commercial office building.

Location: 575 S. Alameda Blvd., City of Las Cruces, Doña Ana County, NM.

Legal Description: Subject to a current metes and bounds description.

Doña Ana County Assessor Parcel No. 02-05964

Owner of Record: City of Las Cruces

Assessed Value:

Building:	$ 856,500
Land:	486,100
Total:	$1,342,600

BARRETT APPRAISAL SERVICES, LLC

Commercial Appraisal
Summary Report

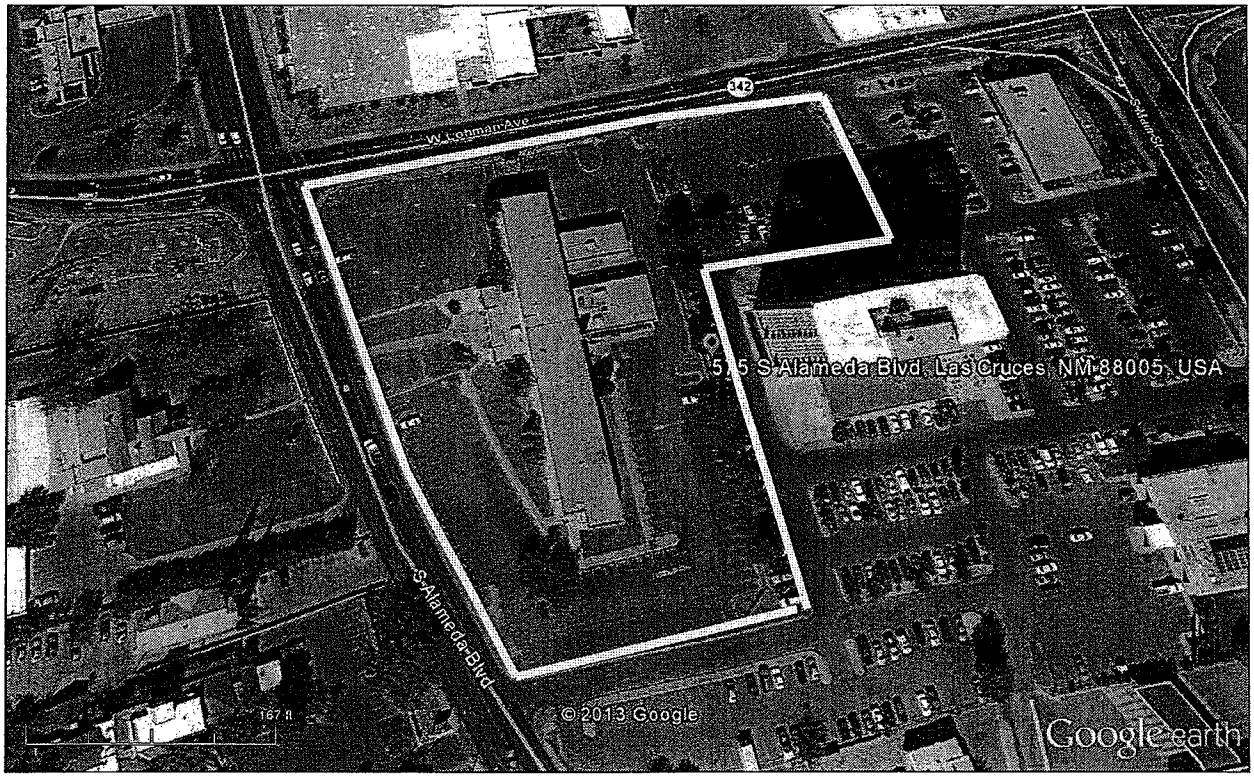
Commercial Office Building
575 S. Alameda
Las Cruces, New Mexico

Prepared For
La Clinica de Familia Inc.
Las Cruces, NM

August 2013

Prepared by:
G. Vincent Barrett, Ph.D., MAI
NM Certification # 506-G

BAS, LLC



Subject Aerial View-Boundaries are Approximate

Barrett Appraisal Services, LLC

August 23, 2013

Mr. Martin Lopez Jr.
La Clinica de Familia
385 Calle de Alegra Building A
Las Cruces, NM 88005

Letter of Transmittal Re: 575 S. Alameda Blvd., (Site of Old City Hospital and Former City Offices).

Dear Mr. Lopez:

At your request, BAS has completed an estimate of the current Market Value of the property located at 575 S. Alameda in the City of Las Cruces, Dona Ana County, New Mexico. A complete appraisal has been conducted and is presented in a summary format.

The subject 3.41 acre site is improved with one, two story structure containing a partial basement with a total floor area of 42,985 SF together with associated site improvements. The facility is currently vacant and was most recently i.e. up to 2008, being utilized as City of Las Cruces offices and before that in the 1950's thru 1970's as a hospital.

The site consists of one legal lot and as of the effective date of this report the subject property is owned by the City of Las Cruces. The objective of this appraisal is to estimate the Current Market Value of the Fee Simple Interest in the above property and existing improvements, subject to the assumptions and limiting conditions stated in the report.

The attached complete narrative appraisal, summary report describes the data, methodology and reasoning used in the analysis. The analysis is subject to the assumptions and limiting conditions detailed in the report. The assumptions and limiting conditions should be carefully reviewed as they may affect the conclusions drawn and the final estimate of market value. The research and analysis indicates the following current market value of the subject property. **The estimated current market value is $894,000. The effective date is August 7, 2013.**

In preparing the report, the conduct of the certifying appraiser has been governed by the Professional Standards and Code of Ethics of the Appraisal Institute and the Appraisal Foundation. Compensation is not contingent upon the reporting of a predetermined value or direction of 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.

The analysis contained in this appraisal may be based upon hypothetical assumptions, and estimates that are subject to uncertainty and variation. These estimates may be based on data

obtained in interviews with third parties or documents obtained from third parties, and such data may not always be completely reliable. In addition, the analysis makes assumptions as to the future behavior of consumers, and the general economy, which are highly uncertain by their nature. It may be that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved results to differ from the analysis contained in this report, and these differences may be material. Therefore, while the analysis was conscientiously prepared on the basis of prudent research of the available data no warranty can be made of any kind that the projected results will, in fact, be achieved. Additionally, Barrett Appraisal Services, LLC has not been engaged to evaluate the effectiveness of management/marketing, and is not responsible for future management/marketing efforts and actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements that may be applicable to the property, including zoning certification and other state and local government regulations, permits and licenses. No effort has been made to determine the possible effect on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

It is the opinion of the appraiser, based on the assumptions employed in the investment parameters for the subject, that the value conclusion represents a market value achievable within one year's exposure on the open market. No responsibility for any event, condition, or circumstance affecting the market that may take place subsequent to the last day of our fieldwork, i.e., August 7, 2013. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

The appraiser has satisfied all competency requirements of USPAP and the Appraisal Institute and states that he is qualified to conduct the appraisal assignment. All FIRREA and USPAP research and reporting guidelines have been met.

Barrett Appraisal Services, LLC appreciates the opportunity to be of service to you. Should you or any other authorized user of this appraisal have further questions arising from the report, they will be welcomed.

Barrett Appraisal Services, LLC

G. Vincent Barrett

Dr. G. Vincent Barrett, MAI

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Executive Summary

Report Format:	Commercial Appraisal – Summary Report
Appraisal Assignment:	The appraisal assignment is to determine the current market value of the real property located at 575 S. Alameda Las Cruces, NM.
Site:	The site is located in the central area of the central business district of Las Cruces. The site is a fully developed parcel of 3.41 acres and is zoned CBD central business district.
Client:	Mr. Martin Lopez Jr. La Clinica de Familia 385 Calle de Alegra Building A Las Cruces, NM 88005
Intended Use:	Asset review and possible sale price determination.
Intended User:	The intended user is the above client, their assigns and the City of Las Cruces responsible officials.
Ownership Interest Appraised:	Fee Simple
Zoning:	The site is zoned CBD Central Business District.
Highest and Best Use:	Substantially remodel and renovate the existing structure in order to use as public service or non-profit organizational office or health provider.

Summary of Market Value Estimates

Method	Value	Weight	Percent
Cost	$902,000	35.00%	$315,700
Market	$890,000	65.00%	$578,500
		100.00%	$894,200
Rounded			**$894,000**

The market value of the fee simple interest in the subject property is $894,000.