

North American Development Group Specific Questions for NADG

Will you consider altering your proposed design to more of a lifestyle center with a mix of uses?

We are open to working with the County on the site plan. We proposed what we thought provided a nice balance between form and function, though we are not married to the layout. We are planning to create a diversified tenant mix, which would include a soft-goods/life style/restaurant component.

Do you have the ability to fund a larger project beyond the Anchor Retail and restaurant/retail you have described and what would be that project cost amount? A larger scale development would more closely align with community desires are for multiple retail options and a community gathering spaces.

The size and scope of the Trinity project is small by NADG's standards. From a capital requirement standpoint, increasing the scope of the development should not be a material problem for NADG. As an example, NADG currently has several large scale development projects under construction; the largest comprising more than 2,000,000 square feet.

Would you consider partnering with other developers to coordinate design for residential or hotel development on the adjacent county-owned parcels? Would you redesign your site plan to flow with adjacent development on these parcels?

Yes, we would be happy to enter into strategic alliances with other groups that hold specialties in areas outside of our expertise, such as residential or hospitality. Adding cross access to link related parcels together should only improve traffic flow and pedestrian activity and would therefore be a likely positive.

Can you offer a holding payment to the County in advance of the opening of Smith's?

Of course.

Please demonstrate your ground rent calculation methodology.

The rental factor was backed into an approximately 10.5% development yield using market anchor and small shop rents along with construction and site costs provided by Great Basin engineering. The development yield contemplates full development.

Anchor Tenancy

Have other anchor tenants been pursued besides Kroger companies, if so, who and what were the responses (ie if not interested in this market, what was the rationale?)

Discussions were initially held with a number of food supermarkets. Several of the grocers decided not to pursue the market due to the market size and overall demographic make-up. NADG and Kroger began working on the project very early on, and formed an alliance. Due to NADG's relationship with Kroger, and Kroger's defined interest in the Trinity site, NADG decided to not aggressively market the development to other anchor tenants.

What is the appeal of going with Kroger/Smith's?

Smith's is a tier 1 grocery store with a strong local reputation and a solid corporate balance sheet. We believe Smith's will stand the test of time, unlike some of Smith's competitors, whom are having competitive market share challenges.

The Smith's Marketplace will provide a terrific balance between staple groceries and soft good products. The Marketplace concept has been very successful in several other states, and should be a wonderful shopping addition providing convenience and diversity of goods for the Los Alamos residents.

Are there other viable anchor options other than Smith's? Will the community have any input on the choice of anchor?

At this juncture, we have selected Smith's to anchor this project.

If Smith's is the only viable anchor, would a Fred Meyer style version of Smith's Marketplace (more general merchandise) be possible?

Yes, the Fred Meyer concept is in fact the store format that Smith's will be operating at the Trinity Site. The New Mexico version of the Fred Meyer style store is labeled as a Smith's Marketplace.

If Smith's is the only viable anchor, what other stores/junior anchors will work with Smith's?

There are several candidates; however the site size limits the square footage of junior anchor co-tenants. Notwithstanding, the Smith's Marketplace should attract a number of national and regional lifestyle/soft good users given the strength and traffic generating power of the store.

If Smith's is the only viable anchor, what sort of opening covenants would Smith's place on other stores on the Trinity Site, as well as in the vacated space in the Mari-Mac center across the street?

Smith's will more than likely require that a significant portion of the small shop space, coupled with restaurants and other pad users act as co-tenants and open at the same time as Smith's. Smith's does not want to be the only operating tenant at the shopping center; having a diversified tenant mix helps everybody's business at the shopping center. With respect to the center across the street, Smith's will more than likely retain restriction rights on grocery and pharmacy competitive uses which is customary in the retail industry.

Would these restrictions prevent the opening of a drugstore or similar 'competing' retailers?

Yes, though there are a number of desirable national junior anchors that are candidates for back-filling the vacated Smith's space; especially given the fact that other junior anchors can not be accommodated at the Trinity Site given its' size.

Mari-Mac

If Smith's is the anchor tenant in the new development, to what extent will Kroger commit to redevelop Mari- Mac?

This is a question for Kroger, though Kroger is committed to redeveloping the shopping center with NADG as a co-project given NADG's shopping center expertise and NADG's ability to source additional national junior anchors. Additionally, it is our understanding that Smith's would be open to selling the shopping center to the County, should the County have interest in redeveloping and creating a convention type center. In this scenario, NADG would be open to discussing the possibilities of entering into a strategic partnership with the County to redevelop Mari-Mac.

Please describe any plans that you may have discussed with them for the redevelopment of Mari-Mac.

We have discussed joint-venturing the shopping center; we have had preliminary conversations and shared a number of different concepts and ideas. If the center were to remain retail, NADG has relationships with a number of junior anchor tenants that could be viable, non-competing candidates for the Smith's space.

How will Smith's tenant/design development plans for Mari-Mac compliment those considered for the Trinity Site Revitalization Project?

Keeping a similar theme, both architecturally and tenant use wise, is important. Boosting the national tenant influence in Los Alamos is possible by creating enough traffic and demand by coupling both projects together. The success of the Trinity Site will only bolster the demand for Mari-Mac.

The specter of Smith's holding veto power over all retail space in Los Alamos is a real concern for the community. What is your reaction to these concerns and to the ability of your team or the Smith's team to address them with our public?

Smith's is a team player and very cognizant of the demands and sensitivities of the community. Same has been evidenced time and time again in communities around the country. Municipalities are generally thrilled to have a Smith's Market place in lieu of certain other large format box tenants.

Non-Anchor Tenancy

How feasible is it to combine several stores for a joint anchor – a smaller format grocer, a soft goods retailer, and a pharmacy - to be the "anchors" of the new development? Have you worked with those type stores; are they currently expanding, would they go into our market?

All possible, and we have worked with such users on multiple occasions. The project begins with the grocer or anchor tenant, and in this case, Smith's is providing all of those services as a one-stop shop; this provides convenience and a primary focal point for traffic generation within the shopping center.

Is it possible to have entertainment tenants in the new development, such as a bowling alley, theatre, or similar? Have you worked with them / are they building / do they go into communities of the size of Los Alamos?

Such uses occupy a significant amount of parking, and could be excellent candidates for the shopping center across the street. Smaller type entertainment users will definitely be target tenants for the Trinity Site.

Are you willing to build commercial space above the retail space?

No. We have been involved in a number of development projects that offered second floor office space. Unfortunately, unless the location is incredibly urban and dense, the second floor space does not lease-up well and ends up dragging down, or giving a negative connotation to the development by remaining vacant. Additionally, given the higher level of vacancy, there becomes more pressure to lease space at lower rents to lower quality tenants, thereby adversely impacting the general tenant mix.

Please describe your approach to securing both local tenants and national tenants.

Tenant mix is one of the most important components of shopping center development. Careful selection and proper placement of the national and local tenants within the shopping center is critical. Given NADG's vast development history and expertise, we believe we have learned over the years how best to strategically lay-out the best tenant mix for a shopping center. NADG has the strength to generate national tenant interest; more over, NADG understands how to balance the national interest with the local needs of the community. In Addition, NADG has hired and aligned itself with the preeminent leasing and brokerage team in New Mexico (Grubb & Ellis NM, headed by Bob Feinberg). Bob has personally logged more than 4 years of time into the Trinity site and understands the vision the County and NADG collectively share for the Trinity development. NADG believes that working together with Grubb & Ellis and the County will create the best marketing team to achieve the desired tenant mix with balance being the key.

Design Questions

Your site plan is similar to Boyer's site plan of three years ago. If awarded, how will you improve or differentiate from the established ideas of Boyer?

We were never involved with Boyer, nor were we privy to any of the nuances, discussions or decisions Boyer made with respect to the Trinity Site. We received a copy of the Boyer site plan, and tried to extract the positives of the lay-out while improving the form and function.

How would you adapt your development and site plans to anticipate and interface with hotel or residential development on the A-11 site to the east of the Trinity site?

We are happy to evaluate options that would incorporate access/architecture etc to further integrate the projects.

Are you open to community input about the design of the buildings and site plan in the new development?

Absolutely; we are looking forward to formalizing a site plan that all parties are pleased with.

What would be the extent to which public involvement in the project design could be anticipated? In general, what would be the approach to engaging public involvement?

We are accustomed to working closely with local planners to come up with site plans and architecture that warrant a positive recommendation to Planning and Zoning from Staff.

Deal Structure / General Questions

Is it the practice of your company to partner with public entities such as Los Alamos County and its residents in the development of such projects? If, so can you provide examples of methodologies by which you have solicited the needs and suggestions of the community and where you have incorporated, as appropriate, such needs and suggestions?

Generally no, however, we recognize the importance of County/City support. We have been involved in ground up development projects that required joint efforts to obtain constituent approval of utilities, zoning, planned development zoning etc. We believe the development process is effectively a joint venture between public and private parties. More specifically, we can provide a number of examples upon request whereby we have worked closely with municipalities to obtain a variety of complex approvals.

Notwithstanding, NADG would be open to discussing a higher level of County involvement should the County feel strongly about taking a more active role in the development.

Can public subsidy, as allowed under State of New Mexico law, help you offer within the project more and diverse retail opportunities, as well as a richer mix of uses?

The more funds available, over and above the original Proforma, can be very useful to provide additional incentives in the form of additional tenant improvement to help attract desired tenants to the developments.

Please describe a potential level of subsidy and the changes it would bring to the project.

This question is difficult to answer in ambiguity. Generally speaking, additional funds provided to augment architecture, enhance landscaping or provide additional pedestrian friendly features would certainly be beneficial.

Who will be the individual in charge of this project?

A seasoned team of development professionals with specific responsibilities will all be working on the project. Specifically, Stephen Preston, NADG's Managing Partner for the southwest, will oversee the project.

How much time will he or she spend in Los Alamos?

The team will spend considerable time in Los Alamos; during pre-development and construction, it is expected that weekly attendance will be required.

How will they interface with the committee and the public?

Public hearings, several meetings, community meetings, rehearsals etc. Holding public meetings to receive public feedback can also be a valuable tool.