



ALBUQUERQUE DEVELOPMENT COMMISSION

MINUTES

Thursday, March 19, 2015
600 2nd St NW, Albuquerque, NM 87104

COMMISSION MEMBERS PRESENT:

Sherman McCorkle, Chair
Grayson Lee Trussell, Vice Chair
John Mechenbier
Paul Silverman
Jim Strozier

COMMISSION MEMBERS EXCUSED:

CITY STAFF PRESENT:

Rebecca Velarde – MR Manager, Planning Department
John Rivera – MR Sr. Planner, Planning Department
Chris Hyer – MR Sr. Planner, Planning Department
Joan Black – Development Coordinator, Planning Department
Ernie Gomez – Recording Administrative Assistant

1. Call to order

CHAIR MCCORKLE called to order a quorum at 2:07 p.m.

2. Changes and/or Additions to the Agenda

NOW, THEREFORE BE IT RESOLVED THAT the Albuquerque Development Commission (ADC) voted to DEFER Item 7, New Business, Foreign Trade Zones.

NOW, THEREFORE BE IT RESOLVED THAT the ADC voted to move agenda item 4 to after agenda item 6a, which will allow announcements and public comments to be heard after the De Anza Motor Lodge Proposal Presentations.

MOVED BY COMMISSIONER MECHENBIER
SECONDED BY COMMISSIONER TRUSSELL

3. Approval of Minutes for February 19, 2015 Meeting

NOW, THEREFORE, BE IT RESOLVED THAT the ADC voted to approve the minutes for the February 19, 2015 meeting.

MOVED BY COMMISSIONER MECHENBIER
SECONDED BY COMMISSIONER TRUSSELL

4. Announcements / Public Comments (Heard after Item 6a)

MR GARY EYSTER stated he is the Director of the Nob Hill Neighborhood Association. He asked when considering a proposer to please consider neighborhood desires. First, he said they favor proposals with a sufficient amount of hospitality lodging. He said the neighborhood also favors a proposer who offers dining and retail and that will restore the buildings. Next, he stated the neighborhood desires the proposer to utilize the historic buildings as much as possible and new buildings are constructed to follow the character of the historic site. He stated the neighborhood association finds the closing of Graceland acceptable. Finally, he stated the neighborhood encourages the developer to coordinate with the Pueblo of Zuni and the Route 66 De Anza Association.

MS ELIZABETH CHESTNUT stated she is the President of the De Anza Route 66 Association. She supported the points made by Mr. Eyster.

MR TERRY HERPLECK said he is a commercial broker with Colliers International. He stated he supports the Anthea on 4th and Granite. He said he has worked with Bill and Anna Smith for many years and has seen their ability to build quality projects.

MR RUFUS COHEN stated the De Anza Company LLC has been involved with the process for a long time and engaged the community, associations and the Zuni Council early. He stated he encourages the City to take a moment and view the De Anza location as an opportunity.

MR ROBERT MUNRO stated he owns three businesses in Nob Hill and invested his life in the area. He said he supports the De Anza Company and thinks their vision is great and supports all aspects of Route 66. He said he had not seen the Anthea project but thinks they fit all the requirements as well. He stated he supports the vacation of Graceland and he thinks it should include a pedestrian easement as well.

MS SUSAN MICHIE stated she is the current President of the Nob Hill Neighborhood Association and former Nob Hill Main Street Economic Development Committee. She said the De Anza Company LLC stands out. She stated the company reached out to the community and they understand the uniqueness of the buildings.

5. Metropolitan Redevelopment Manager's Report

- Rail Yards: The Metropolitan Redevelopment Agency (MRA) Manager stated the MRA is in the process of appraising the Rail Yards, which will be used to set a purchase price for the developer. She further said the MRA is obtaining proposals from an environmental consultant to complete the Voluntary Remediation Program process and receiving proposals to do the archaeological work.
- Downtown Grocery: She stated they are back on track from being two weeks behind schedule. She said the digging is complete, the rebar cages are being assembled, and the structural steel is being placed.

- Anthea at 4th and Granite: She stated the City has finalized the design for the streetscape improvements near the Anthea at 4th and Granite and is now working on coordinating implementation with the developer.
- Central & Alcazar: Ms. Velarde stated the MRA is meeting with Mr. Limary to discuss amending his agreement to update the schedule for completion.

6. Old Business

a. De Anza Motor Lodge Proposal Presentation – Chris Hyer

MR CHRIS HYER provided an overview that the City released a Request for Proposals (RFP) on August 14, 2014 and proposals were due January 9, 2015. He said the De Anza was established by Charles Garrett Wallace in 1939. He stated in the 1950's the Turquoise room was built. He stated the Capital Needs Assessment (CNA) indicated that it may not be financially feasible to preserve the entire site as a historic property. He stated three possibilities for treatment of the Zuni Murals: 1) Preserve in place and make them assessable; 2) Murals removed and given to the Zuni Tribe; and 3) A complete historical recording and full size images to be presented to the Zuni. He stated the City has made a \$400,000.00 reimbursable grant available to the developer if the murals are preserved and made accessible. He said the RFP required the selected developer keep Buildings A, E and a portion of G. He said the De Anza sign must be retained and maintained. He stated the RFP said the City's goal is the redevelopment of the De Anza site and the design should respect the original De Anza architecture. He then introduced the De Anza Company.

MR ERIC VON STARCK stated he is with the De Anza Company and their proposal is to reimagine the site as a retro 1950's and 1960's site. He said he will keep the motor court and the project includes 65 rooms and suites, a restaurant, a roof top bar, a Zuni trading post, meeting space and a museum with the murals to be open to the public. He stated his group will make the site a landmark destination for Albuquerque and Nob Hill. He also stated they want to do a hospitality training program with the Zuni and other Pueblos to provide a good base of staff for the motel.

MR BOB HEISER stated he will highlight the architectural design considerations for De Anza. He stated the Landmarks and Urban Conservation Commission (LUCC) guidelines and the Nob Hill Sector Plan offered many options. He said the Motor Court should be preserved. He stated that they will do a utility wrap around the perimeter of the east, north and west elevations to modernize the bathrooms so they will not disturb the original buildings too much and take the existing bathrooms out to make more living space. He said they will put a gift shop in the Turquoise Cafe and restore the lobby. He stated his parking concept is to locate thirteen parking spaces in the front, allow redevelopment of Graceland and add fifty-two parking spaces on Graceland.

MR TRIP ROTHSCHILD provided a budget cost breakdown. He said the project is budgeted at \$12.4 million dollars, \$8.9 million for soft costs and construction, \$2.1 million for furniture, fixtures and equipment, and \$1.4 million for other pre-opening costs. He stated he is working with First American Bank on a \$7.2 million package that will utilize industrial revenue bonds and a Small Business Administration (SBA) 504 program guarantee. He stated the City or Bernalillo County would retain ownership and lease the property back to them until the bonds are paid off, which enables the project to be exempt from gross receipt tax on construction materials. He stated he believes he can qualify to get \$1.3 million in historic rehabilitation tax credits.

MR JERRY LANDGRAF stated he has a personal investment in the east Nob Hill area as he owns about 25% of the frontage between Carlisle and Washington and has developed a number of

properties including three motels. He said they have worked with the neighborhood, business associations, Main Street Group as well as the Zuni Council. He stated they anticipate 45 full time employees with a 10-year \$12 million dollar payroll and gross receipts tax around \$2.1 million during that period as well.

MR SILVERMAN asked if the project is keeping all of the existing structures.

MR BOB HEISER responded yes, and he added the De Anza Company proposes additions around the perimeter.

MR SILVERMAN asked why the historic tax credits are so small when using the existing structures.

MR TRIP ROTHSCHILD responded the numbers are calculated based on construction cost only. He said he assumes 90% would qualify for the historic credits.

MR SILVERMAN asked if Mr. Rothschild meant 90% of \$7 million.

MR TRIP ROTHSCHILD responded Mr. Silverman is roughly correct. He said historic rehabilitation tax credits are 20% tax credits and he assumed 15% to account for selling the tax credits to a third party. He stated the De Anza Company expects to obtain \$1.3 million from historic rehabilitation tax credit equity.

MR TRUSSELL asked if the proposal included other land to be used for parking.

MR JERRY LANDGRAF responded the plan outlined is the plan that is preferred. He stated he has land on both sides of the De Anza site that are vacant.

MR TRUSSELL asked if the developer plans to contact surrounding property owners.

MR JERRY LANDGRAF responded they would certainly develop a relationship with the other property owners.

MR TRUSSELL asked if the additional parking on Graceland would result in adequate parking for the 65 units proposed.

MR JERRY LANDGRAFF responded the Graceland parking along with the 13 spaces in the front of the motel would result in adequate parking.

MR TRUSSELL asked if additional parking would be needed if the De Anza Company opted to proceed with the 95 unit property outlined in their proposal.

MR JERRY LANDGRAF responded that discussions took place with Century Link next door regarding parking.

MR STOZIER asked how the Zuni Museum will work.

MR ERIC VON STARCK responded they are intending to excavate a 20 foot by 30 foot space right next to the mural room to create an open environment.

MR BOB HEISER added they can add an elevator for access and two accessible stairs that will be assembled through the west portion of the motor court.

MR SILVERMAN asked in reality how far along are they in obtaining historic rehabilitation tax credits and obtaining approval to vacate Graceland.

MR JERRY LANDGRAF responded he believes the team is three to four months away from obtaining approval on the historic rehabilitation tax credits. He said the team has not yet had discussions with the Department of Municipal Development (DMD) on Graceland.

MR SILVERMAN inquired into the economics of restoring all the buildings.

MR TRIP ROTHSCHILD responded he believes the economics look fine after his contractor looked at the site.

MR HYER introduced the second presenters, Anthea at Nob Hill.

MR BILL SMITH stated he is the developer of the Anthea on 4th and Granite. He said he proposes 30 condotel units that are fully furnished with kitchens for extended stay. He stated the Central frontage would be preserved. He said the middle building along the frontage will be used as a restaurant and the Turquoise Café would convert to shop space.

MR DOUG MAJEWSKI stated the site plan is in alignment with the City's goals. He said they will preserve the buildings that need to be preserved. He stated that the back buildings will be rebuilt into the condotel concept. He stated the motor court will be preserved and he will recreate the pool. He said they will preserve the building with the Zuni art work and provide restricted access. He stated the buildings on the back of the site will be one and two story. He said they propose angled parking along Graceland. He stated one of the original buildings up front will be restored to classic Route 66 vintage hotel rooms. He said the Turquoise Café will become a shop for the neighbors and will include bicycle parking. He stated the building over the murals will be restored.

MR BILL SMITH stated they will keep the mural room only for the Zuni people to use for their own benefit. He stated they have private funding in place and will not use public funding.

MR BILL MCBAIN stated the condo hotel extended stay business is viable for the Nob Hill area. He said he thinks the six vintage hotel units are very unique that will take people back to the 1950's and 1960's.

MR BILL SMITH stated this project will bring in high-wage individuals that will be staying a long time and patronize the local businesses.

MR MECHENBIER inquired into the CNA and structural integrity of the buildings.

MR HYER stated the CNA was very thorough and there were several engineering firms that did the assessments.

MR SILVERMAN asked if the engineers concluded which buildings were savable.

MS VELARDE responded the assessment showed significant deterioration throughout the property.

MR SILVERMAN asked if the report was delivered to the proposers.

MS VELARDE responded it was an exhibit in the RFP and all proposers had access to it.

MR STROZIER asked about the number of jobs the final project will be creating.

MR BILL SMITH responded the proposal will create about 30 to 35 jobs.

MR SILVERMAN asked if the condotel idea applies to all living spaces.

MR BILL SMITH responded not all the living units will be designed with the condotel concept. He said the restored front building will have small, more traditional motel units.

MR SILVERMAN asked if the buildings will be rental or sale.

MR BILL SMITH responded the proposal includes hospitality for vacation stays.

MR SILVERMAN asked who will own and operate all units.

MR BILL SMITH responded they will operate all units as a hotel.

MR MECHENBIER asked if both proposers were comfortable with the CNA findings and structural reports.

MR DOUG MAJEWSKI responded that his assessment is the back buildings would not be cost feasible to restore. He said they would rebuild the back units to modern standards.

MR TRIP ROTHSCHILD responded he will try and salvage as much of the existing structure as he can. He said the deteriorated parts that need to be replaced will be replaced.

MR PAT KIMBROUGH stated he has been a general contractor since 1982 and thinks a lot of the lumber can be saved. He said putting bathrooms around the perimeter of the buildings will keep the integrity of the walls.

NOW, THEREFORE BE IT RESOLVED THAT the ADC voted to convene in a closed session as authorized by the purchase and disposal of Real Property exception to discuss a recommendation of award on the De Anza Redevelopment.

MOVED BY COMMISSIONER SILVERMAN
SECONDED BY COMMISSIONER MECHIENBIER

BREAK DISCUSSION

CHAIR MCCORKLE stated the Commission will reconvene. He said let the minutes reflect that the matters discussed in the closed meeting were limited only to those specified in the Motion to close and no final actions were taken regarding the selection process. He stated with that he would open to the Commission for discussion of the two presentations.

MR SILVERMAN asked the De Anza Company of the two scenarios presented in their proposal if they are considering moving forward with Plan A or Plan B.

UNIDENTIFIED responded they will not consider Plan B because of the issues with the historic rehabilitation tax credits. He said the bathroom wrap will increase room size.

MR STROZIER requested a summary of each proposer's plans for the murals.

MR ERIC VON STARCK responded he met with the Zuni Council and their foremost desire was no funds were needed from the Zuni Tribe. He said the De Anza Company is proposing a Route 66 Museum and they will consult with the Zuni Council.

MR BILL SMITH responded after he consulted with the Zuni Council that they do not want a lot of traffic in the mural room as they consider the room a place of worship, culture and religion. He said the plan was to always consult with the Zuni Tribe and ask them how they would like the murals preserved. He said they only ask the Zuni Council to coordinate with them when visiting because the building is on private property.

MR STROZIER asked Mr. Smith if the mural room will not be open to the public. He also asked if any modifications will be made to make the room more accessible.

MR BILL SMITH responded if accessibility becomes an issue then they can make the accommodations. He also said the mural room will not be a public attraction.

MR MECHENBIER commented that the De Anza Company plans on securing an industrial revenue bond and thus the property taxes back to the coffers of the City and County would be zero. He stated the Anthea plans on leasing the land for 99 years and thus would bring money back to the City.

CHAIR MCCORKLE asked both proposers to address the one or two aspects of their proposed development that would most address increasing vitality and being a catalytic economic driver.

MR ERIC VON STARCK responded there are many elements that create vitality. He said the public relation advantages would be able to bring in new visitors. He stated they have included a three meal a day restaurant. He stated they will be paying attention to streetscape and how it fits in to create more vitality and more movement of people.

MR BILL SMITH responded their condotel will attract visitors who do not want to live out of a suitcase, are staying 30 days to a year and spending their money in Nob Hill. He stated the site is a vibrant place to stay. He said the restaurant user has been in operation for 20 years and is successful. He stated they are privately funded, the loan is in place and he will be able to complete the project at the end of 2016.

MR TRUSSELL inquired into the equity investment of each developer.

MR BILL SMITH responded the entire cost of their project is \$8.2 million dollars, and they have a loan commitment letter for an 80% loan to value ratio. He said the investment is \$1.6 million from the equity partners.

MR TRIP ROTHSCHILD responded the developers' proposed investment is \$75,000 from each of the three partners and they are seeking primary investors for an equity offering of \$2.4 million.

CHAIR MCORKLE asked staff to review the options the ADC has on selecting a developer.

MS VELARDE responded the commission can decide on selecting a proposer today. She said if the commission is not satisfied with the current proposers, the ADC can ask to see presentations from the other three proposers that were not selected by the Ad Hoc Selection Committee as finalists. She said the ADC can reject all proposals and direct the MRA to enter into negotiations, or the ADC can reject all proposals and request another RFP.

MR SILVERMAN said this is a hard decision because the ADC has two really good groups before them. He stated when looking at the capital structure of each group, one proposal is fairly simple and the other is more complicated. He stated because of previous runs at redeveloping this site, he believes the decision comes down to timing.

MR STROZIER stated that both proposals were very good. He said he is torn between the two proposals, but goes back to the Anthea proposal because they have private financing which may shorten the timing for redevelopment.

MR TRUSSELL said he wants to congratulate both proposers as the proposals were excellently written and presented. He stated he is looking at three points, including developer equity investment, timing and funding coming back to the City.

MR MECHENBIER stated both projects presented by the proposers could be very viable. He said he thinks private financing is easier, will result in fewer obstacles and will lead to faster project completion. He said a major point is also funding going back into City coffers.

CHAIR MCCORKLE stated he is looking at the return to the City because that is part of their responsibility and the certainty of getting the job done. He said both proposals are very innovative and creative and will make an economic difference.

MR STROZIER stated he appreciates both groups reaching out to the community and said the De Anza Company went above and beyond when coordinating and communicating with the community and neighborhoods.

MR BLAKE WHITCOMB commented that if the ADC were to make a decision today, then the MRA would draft findings based on their discussion and decision for the next meeting.

NOW, THEREFORE, BE IT RESOLVED THAT the ADC voted to select the Anthea at De Anza Proposal.

MOVED BY COMMISSIONER MECHENBIER
SECONDED BY COMMISSIONER STROZIER

7. **New Business**
 - a. **Foreign Trade Zones – John DuBois**

DEFERRED

8. **Adjourn to April 23, 2015 Meeting**
The meeting was adjourned at 4:47 p.m.