

ALBUQUERQUE DEVELOPMENT COMMISSION

December 20, 2018

MRB-18-5 Broadstone Nob Hill

REQUEST: Approval of the issuance and sale of metropolitan redevelopment bonds in an amount not to exceed \$21,500,000 is requested for the Broadstone Nob Hill Project.

METROPOLITAN REDEVELOPMENT BOND PROJECT CRITERIA

The overriding criterion for all metropolitan redevelopment bond projects is the benefit to the metropolitan redevelopment area in which the project is located. The benefits should help to further the goals outlined in the metropolitan redevelopment plan for the area.

PROJECT SUMMARY:

Broadstone Nob Hill, LLC (“Applicant”) is requesting the issuance of metropolitan redevelopment bonds (“MRB” or “MRB’s”) to aid in the development of a new multi-family apartment project (“Project” or “Broadstone Nob Hill”). The Project is located within the boundary of the Central-Highland-Upper Nob Hill Metropolitan Redevelopment Area (“MR Area” or “Area”), making it eligible for the issuance of MRB’s. A map of the MR Area and the specific Project location can be seen in the application package, attached as Exhibit A.

The Applicant is a partnership between Titan Development and Alliance Residential Company.

Broadstone Nob Hill will be a transit oriented redevelopment project located on Central Avenue. The Project will convert a blighted and underutilized property into a new 102-unit multi-family community, and will continue the investment and revitalization activity that has recently occurred in the immediate area, from both public and private entities.

The existing site is approximately 2.2 acres in size and was the former home to two blighted and deteriorating hotel properties, the Royal Hotel and the Town Lodge.

It is estimated that 200 direct and indirect jobs will be created for the construction of the Project. Following construction, it is estimated that 7 full-time equivalent jobs will be created for the operation and management of the Project.

The existing annual property tax amount due, identified as the baseline tax amount, is \$9,604.00. The Applicant will continue to pay the baseline amount throughout the 7 year abatement period.

Following completion of the Project, the increased property tax amount is estimated to be \$413,687.00. With the approval and issuance of the MRB, the estimated annual amount of the property tax abated on the project would be \$404,082.00 for a term of 7 years. The 7 year cumulative value of the total abated taxes is estimated to be \$2,828,574.00. Following the 7 year abatement period, the estimated annual amount of property taxes that will be due from the Project is \$413,687.00. A full property tax analysis of the project, performed by the University of New Mexico's Bureau of Business & Economic Research, is attached to this report.

In addition to the anticipated funds from the issuance of the MRB and the associated tax abatement savings, the Project is being funded with private equity and commercial financing. The proposed Project does not require any capital investment by the City and is not asking for municipal financing. The sole purpose of the requested MRB is to provide limited tax abatement for a period of not more than seven years.

The full project plan and application are attached to this report.

METROPOLITAN REDEVELOPMENT BONDS

There is no financial obligation on the part of the City resulting from the issuance of the bonds. The Applicant is responsible for all payments and liabilities associated with the bond debt. There is no indebtedness on the part of the City.

Metropolitan Redevelopment Bonds carry maximum property tax abatement of seven years, and only on the net improvements to the property. The existing valuation of the property would remain on the tax rolls during and after the seven-year period.

There have been a number of projects in Metropolitan Redevelopment Areas that have received a variety of incentives, including on occasion direct capital investment by the City, with the goal of encouraging the development of projects in those areas. The designation of Metropolitan Redevelopment Areas and the use of such incentives in those areas are designed to encourage growth and investment in areas where existing market forces inhibit revitalization efforts. It is the intent of these efforts to not only benefit the immediate area, but the larger community as a whole from the increased activity and catalytic potential of such initiatives.

CENTRAL-HIGHLAND-UPPER NOB HILL METROPOLITAN REDEVELOPMENT AREA

The Central-Highland-Upper Nob Hill Metropolitan Redevelopment Area ("MR Area") was created to address issues of slum and blight that exist in the one of the city's oldest and most centrally located communities. The MR Plan for the Area seeks *"to create a place that is both*

identifiable for its unique Route 66 character and is a livable, walkable, mixed-use and vibrant economic and residential part of Albuquerque.”

The MR Area was designated in 2002 to combat problems of disinvestment in the area. The Area has long been plagued by a lack of economic activity and aging motel properties that have served as a location for criminal activity. The redevelopment of problematic motel properties into uses that improve the appearance, density and vitality of the area is encouraged throughout the Plan.

The MR Plan identifies 9 strategies to improve the economic and social conditions that exist in the Area. The 9 strategies are:

1. Improve the aesthetics, vitality and public image of the plan area.
2. Encourage the development of a fine –grained mix of pedestrian-oriented land-uses, including both residential and commercial.
3. Attract public investment to stimulate commercial revitalization.
4. Attract businesses that compliment and expand the range of existing goods and services.
5. Redevelop or find adaptive re-uses for vacant underutilized properties.
6. Provide a wide range for viable transportation choices, including high-quality public transit, walking, bicycling, and vehicular systems.
7. Provide a safe and secure environment for residents, businesses and visitors.
8. Identify and preserve the existing desirable characteristics of adjacent residential areas.
9. Recognize and preserve buildings and areas of architectural and environmental significance.

MRB PROJECT CRITERIA

I. LAND USE, PLANNING AND DESIGN ELEMENTS

1. PLAN AND ZONING

Is the present zoning appropriate, or would a change be needed to fit the City’s zoning policies? Does the project meet the policies outlined in any existing Area, Metropolitan Redevelopment, and/or Comprehensive Plans? Projects must conform with all adopted City plans and policies.

The Project is located in the Central-Highland-Upper Nob Hill Metropolitan Redevelopment Area and has addresses of: 4101 and 4119 Central Ave. NE Albuquerque, NM 87108. The Project site is specifically located on approximately 2.2 acres on the north side Central Avenue between Montclair St. NE and Sierra St. NE.

The Project has received approval through the City's Development Review Board. The existing zoning on the site is MX-M (Mixed-use, Moderate intensity). Per the City's Integrated Development Ordinance, MX-M zoning has the following purpose: *The purpose of the MX-M zone district is to provide for a wide array of moderate-intensity retail, commercial, institutional and moderate-density residential uses, with taller, multi-story buildings encouraged in Centers and Corridors.*

2. LAND USE

Will the proposed use make a positive contribution to the Albuquerque economy and the immediate neighborhood? Will it generate high levels of air, noise, or waste pollution, or traffic congestion? Projects must improve the economy without disrupting local areas or creating unacceptable conditions.

Once completed, the Project will bring a new multi-family housing community to one of the City's oldest neighborhoods and along a major transit corridor. Located near multiple employment and activity centers and within walking distance to major transit lines, including the Albuquerque Rapid Transit bus line, the Project will increase the housing options in one of the most centrally located parts of the city. The Project will help to continue the revitalization efforts that are currently underway in the area and transform an underutilized property into a contributing and active community amenity. The Project is not anticipated to create excessive levels of air, noise or waste pollution.

3. INFILL

Does the project location allow use of existing infrastructure, or will project demand substantial infrastructure extension or replacement? Projects should not require substantial City costs for infrastructure unless applicants and the City can agree on cost sharing.

The Project is located in an established part of the city on a major roadway that serves as the transit spine for the city. The Project's proximity to the Central Ave. transit corridor, allow it to provide easy access to public transit, major employment centers and entertainment locations. Because the location of the Project is an infill site, it will be able to access and use existing infrastructure and services and not create the additional environmental impact of constructing new utility service to a previously undeveloped area. The infill location of the Project will increase the density of the area and encourage walkability and alternative transit

options, for residents and visitors alike, reducing vehicle miles traveled and the overall carbon footprint of the Project.

4. DESIGN AND CONSERVATION

Are the scale and general design of the project appropriate to the area? Will the project renovate or expand existing facilities? If in a historic building, will the project follow preservation guidelines? Project design should be appropriate to the area. Project must conform to adopted City plans.

The Project is located in an established part of the city and as such will take advantage of and help upgrade many existing utility and infrastructure services. Given the infill location of the Project, the environmental impact of the development will be much less than that of a similar project constructed outside of the developed portion of the city. Residents and guests of Broadstone Nob Hill will be able to access alternative modes of transportation and public transit, given its central location, thus reducing traffic in the area the environmental impact of added vehicles.

The Project will benefit from low-impact development strategies that will be implemented to manage rainwater runoff and a landscape design will include only native and adapted drought-tolerant plants, as well as a highly efficient irrigation system. Potable water within the buildings will be reduced by the use of low-flow plumbing fixtures. The buildings have been designed with energy-efficient strategies in mind, including: a well-insulated building envelope, windows specified to minimize solar heat gain, high albedo roofing, high efficient water heaters and mechanical units, LED lighting throughout and energy management systems in the residences.

5. DEMOLITION

Does the project involve demolition of viable buildings? Does it involve the demolition of identified historic properties? Demolition of viable buildings should be avoided; demolition of historic properties must not occur unless the project can show no alternatives and exceptional long-range benefits to the community.

Much of the site is currently vacant. The structure that formerly operated as the Town Lodge, on the southwest corner of the site, has been approved by the city's Landmarks Commission for demolition. The structure is not historically significant and currently not viable for reuse. Once demolished, the fully vacant site will be prepared for development.

6. RELOCATION

Does the project require the relocation of individuals or businesses? Relocation should be avoided. If relocation is necessary, the applicant should assist in finding new housing or business locations.

No relocation of any homes or other businesses will be involved in the project.

No individuals, families or business will be displaced by the development of the Project. The structures that will be demolished have been vacated and were locations that were frequently plagued by criminal activity.

II. REMOVAL OF BLIGHTED CONDITIONS

Will the project help to address the slumlike or blighted conditions of the Metropolitan Redevelopment Area? How will the project improve the area and what positive benefits to the area can be expected once the project is completed? The goal of MR projects is to improve the overall conditions of the area.

1. REDEVELOPMENT

According to the City's evaluation criteria, Metropolitan Redevelopment Projects must show a substantial contribution to area revitalization and redevelopment.

The MR Area has a need for new activity and investment as a means of addressing the slum and blighted conditions that exist. The Project location is on Central Avenue and will redevelop an entire city block into new and desirable housing options for residents looking to inhabit the area. As discussed in the MR Plan, the area of Central Avenue east of Carlisle has not seen the same level residential and commercial activity as the portion of Central Avenue west of Carlisle, which is populated with new housing, restaurant and business activity. The development of this Project and the reactivation of the property will help to show an increased level of interest and marketplace viability that will encourage future investment and growth.

The addition of new residents to the area will help to increase the potential customer base of the area, ultimately encouraging the addition of commercial businesses, jobs and increased activity in and around the area.

The location of the Project on Central Avenue, with immediate access to multiple transit lines, including the Albuquerque Rapid Transit line, provides residents and visitors with alternative transit options when planning trips both to and from the area, ultimately reducing vehicular traffic and emissions in the area.

2. CONTRIBUTION TO THE GOALS OF THE MR PLAN

The plan for the Project does contribute to many of the goals of the MR Plan and will aid in the revitalization of the MR Area. The Project will bring new housing choices and added density to the Area and the Central Avenue corridor, both items identified as needed in the MR Plan.

The Plan identifies aging motel properties as a negative issue facing the area, specifically saying: *“Criminal activities at specific motel locations as well as the age of motels contribute to the dampened economic conditions in the area.”* A portion of the Project site was once the location of the Royal Inn. The MR Plan identifies the Royal Motor Inn Block as a site for a future redevelopment project to occur. The Broadstone Nob Hill project will help to further the plan goals of converting blighted and problematic aging motel properties into new and positively contributing developments, as well as targeting new construction activities for properties that are vacant, underutilized and do not have structures with historic character.

The MR Plan identifies encourages an increase in the residential density along Central Avenue in order to promote business revitalization and the pedestrian character of the area.

The Project will further these plan items by bringing 102 residential apartments to the Central Avenue corridor, increasing the density and activity in the area.

III. ECONOMIC BENEFITS

1. JOBS

During the construction phase of the Project, it is anticipated that the number of construction related jobs that will be created will be 200 for both trade and management roles.

Following the construction, it is anticipated that 7 full-time jobs will be created for the management and operation of the Project.

2. PRIVATE SECTOR INVESTMENT

The Broadstone Nob Hill project will be a private sector investment of \$21.5 million dollars into the local community.

IV. PROJECT FEASIBILITY

1. FINANCING AND FEASIBILITY

Has the applicant presented convincing evidence that the project will generate sufficient cash flow to pay debt service? Alternatively, does the applicant have a firm financing

commitment? Projects must show the ability to retire bonds, or evidence that financing has been obtained.

The Project will be funded privately with conventional financing tools and private equity. The property tax abatement obtained through the issuance of the metropolitan redevelopment bond will be reinvested in the Project's total anticipated cost.

The baseline property tax amount for the Project (prior to any construction activity) is \$9,604.00. The baseline amount will continue to be paid through the duration of the 7-year abatement period. The estimated incremental property tax increase, following construction, will be \$404,082.00. With the approval and issuance of the MRB, the \$404,082.00 represents the annual amount of property taxes that will be abated for a total of 7 years. The cumulative value of the total abated taxes is estimated to be \$2,828,574.00. Following the 7 year abatement period, the property tax amount due is estimated to be \$413,687.00 per year.

2. COST

Does the bond amount requested reasonably represent the money required to complete the project? Bond amounts should be no more than that required to complete the project. The project will not be induced for an authorized maximum bond amount larger than the expected bond issue. Be sure to describe the sources of capital that will be used to finance the project.

Based on staff's review of the project, we find that the bond amount is no more than that required to complete the project. The bond amount, \$21.5 million, is equivalent to the projected increase in assessed value and is no greater than the authorized bond amount.

The total estimated cost of the Project is approximately \$21,500,000

The estimated appraised value of the Project after completion is \$24,200,000

3. APPLICANT'S RECORD

Does the applicant have a good record of completing projects of this or similar type? If an industry company is the applicant, does the company have strong financial backing and experience relevant to this project? The applicant should have a good record with projects of this type, or present convincing evidence that the project will be completed. Substantiation of the applicant's background from financial institutions and local firms is especially useful in establishing the record.

The development team has a strong track record of developing and managing real estate development projects in the Albuquerque area. Titan has previously completed a variety of development projects across various market segments in New Mexico and other states. The principals of Titan have been involved in over 10 million square feet of real estate development and have developed over \$2.1 billion of real estate, inclusive of their work at

Titan. Alliance Residential manages a portfolio of over 374 properties and is a leader in the management of multi-family properties in the U.S.

EQUITY

Will the applicants make an equity investment in the project? An equity investment is generally desirable; the Development Commission recognizes that a loan commitment for 100% bond financing may be made based on an applicant's total holdings. In such cases, the Commission will accept a letter of commitment to finance the total project.

The Project is currently pursuing construction financing and has numerous interested lenders. The equity for the project has been fully allocated.

4. MANAGEMENT

Do the applicants commit to manage, as well as build, the project? Long-range commitment to a project is desirable.

The Project is a partnership between Titan Development and Alliance Residential. The design and construction phases of the Project are being managed by Titan. Once completed, the Project operations will be managed by Alliance.

FINDINGS

1. MRB 18-5 will make a positive impact to the Central-Highland-Upper Nob Hill Metropolitan Redevelopment Area by making a private sector investment of approximately \$21.5 million into the community. The project will bring new development activity and housing options to the Area.
2. MRB 18-5 furthers the following strategies outlined in the MR Plan:
 - Improve the aesthetics, vitality and public image of the plan area
 - Encourage the development of a fine-grained mix of pedestrian-oriented land uses, including both residential and commercial.
 - Attract public and private investment to stimulate commercial revitalization.
 - Redevelop or find adaptive re-uses for vacant underutilized properties.
3. MRB 18-5 furthers the strategy outlined in the MR Plan of increasing the residential density along Central Avenue in the commercial corridor in order to promote Central Avenue business revitalization and the pedestrian character of the area.

4. MRB 18-4 will help to remove the conditions of slum and blight that exist in the Central-Highland-Upper Nob Hill Metropolitan Area by converting a blighted property into new multi-family housing.

STAFF RECOMMENDATIONS

Based on the application package provided by the Applicant and the above findings, staff recommends approval of MRB 18-5 as proposed.

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Metropolitan Redevelopment Agency