

August 29, 2017
Mr. Tim Flynn-O'Brien

Subject: Critique of UNM BBER
Economic Impact Evaluation of
Proposed Edith Solid Waste Facilities

Dear Mr. Flynn-O'Brien:

I have completed a critique of the above-referenced evaluation and submit the accompanying report. The UNM BBER Economic Impact Evaluation is not considered an appraisal, and my critique is not to be construed as an appraisal or an appraisal review. The following critique is intended as a valuation service in my role as a consultant and conforms to those portions of USPAP that pertain to Appraisal Practice (the Definitions, Preamble, Ethics Rule, Competency Rule, and the Jurisdictional Exception Rule).

The report is intended for your sole use and should not be relied on by others.

This appraisal has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice and the Standards and Code of Ethics of the Appraisal Institute.

I appreciate this opportunity to provide appraisal services to you, and questions from authorized users of the report are welcome.

Sincerely yours,

A handwritten signature in cursive script that reads "Meg Sandys".

Meg Sandys, MAI
NM State Certified Appraiser #3188-G (Exp. 4/18)

Critique of Economic Impact Evaluation of Proposed Edith Waste Transfer Station and Convenience Center

Executive Summary

The following is a critique of the Economic Impact Evaluation of Proposed Edith Waste Transfer Station and Convenience Center (hereafter “proposed project”), prepared by the University of New Mexico Bureau of Business & Economic Research (UNM BBER) in June 2017 for the City of Albuquerque.

The proposed project would be built on a 22-acre site located at the southeast corner of the intersection of Edith Boulevard and Griegos Road NW in central Albuquerque. The proposed project is designed to include a waste transfer station, a convenience center, and a household hazardous waste drop-off facility.

The following critique identifies weaknesses of the UNM BBER report, primarily the lack of similarity between the proposed project and the existing Eagle Rock facility, and the inherent weakness in relying on property tax and assessment data rather than market data. The criticisms support the conclusion that the extent of the adverse impact of the proposed project on the neighborhood is likely far greater than concluded in the UNM BBER evaluation.

Major criticisms of the UNM BBER report are outlined below:

- Although we agree with the conclusion that the proposed project will have an adverse impact, the estimate of 6% is understated by as much as 12% (the proposed project will more likely have an adverse impact of 12% to 18%).
- The UNM BBER report relies on property tax and assessment data as a proxy for verifiable market data.
- The idea that the proposed project would negatively impact vacant land values but not the value of improvements is unsupported. Rather, the proposed project will adversely impact both vacant land and improvement values.
- The UNM BBER report admits that no survey was conducted of property and business owners in the area of the proposed waste facilities.
- Comparison of the proposed project to the existing Eagle Rock Convenience Center is limited given the vast differences in location, population and traffic density.

Section 1, Background: The proposed location for the Edith Waste Transfer Station & Convenience Center (hereafter referred to as “the proposed project”) is a 22-acre site at the southeast quadrant of the intersection of Edith Boulevard and Griegos Road NW.

Criticism: The proposed site area is 22 acres located in the geographic center of Albuquerque, whereas the Eagle Rock Convenience Center site area is 7.5469 acres located in the far northern reaches of the metro area. The sheer size of the proposed facilities will cause considerably greater impact on surrounding properties than a single facility on a site that is roughly one-third the size. Furthermore, the proposed project includes three operations: a waste transfer station, a convenience center, and a household hazardous waste drop-off facility. The Eagle Rock facility is only a convenience center. Comparing a multi-part operation facility to a single convenience center facility dramatically understates the impacts.

Section 2, Methodology and Limitations: The UNM BBER reports admits that no survey of property and business owners was conducted with regard to their willingness to pay to avoid the construction of the proposed waste transfer station. The UNM BBER report further states that no survey was conducted because it may generate biased responses, and acknowledges that such bias are supported by sensible beliefs.

Criticism: In *City of Santa Fe v. Komis*, a case that involved condemnation proceedings, the Supreme Court of New Mexico affirmed that public fear of a land use, whether well founded or not, which causes a diminution in value, is compensable. Thus, a survey of the neighboring owners and tenants in the vicinity of the proposed project is crucial in determining the extent of property value diminution.

The UNM BBER report compares the proposed facilities and the surrounding area to the existing Eagle Rock Convenience Center and its surrounding area, claiming that the areas are comparable in both zoning and location.

Criticism: In fact, the sites and the areas are considerably different in the following ways: 1) The 22-acre site for the proposed facilities is currently zoned M-1 and requires a zone change for the proposed use, whereas the Eagle Rock site is zoned specifically for a solid waste convenience center. Furthermore, the Eagle Rock facility existed prior to the most recent adoption of the North I-25 Sector Development Plan.

Although the study does not define its use of the term “location,” it generally refers to such characteristics as type of land use, age of development, development density, traffic levels, etc. The Eagle Rock Convenience Center is located in the far northern reaches of Albuquerque. The surrounding land uses include a cemetery, vacant land, light industrial, commercial, and

residential uses developed in a low-density pattern. The Eagle Rock Convenience Center is proximate to San Pedro Boulevard that has far less traffic on average when compared with Edith Boulevard and Comanche Boulevard NE in the area of the proposed facilities. Because the traffic flows along Edith and Comanche Boulevards are greater, consequently the impact of the increased traffic and congestion caused by the proposed facilities will be greater. The area around Eagle Rock Convenience Center developed beginning in the 1980s. In contrast, the area of the proposed facilities is geographically in the center of the metro area, proximate to the Big I, in an area of much denser, older development. Portions of the area developed as early as the 1930s. In my opinion, the two areas are very different in terms of location. The proposed site is bordered on two sides by major streets upon which the trucks servicing the proposed facilities will travel; there are businesses and residences that front on these streets, another significant difference when compared to the Eagle Rock facility, where there is only one major street (San Pedro Boulevard NE) and very few businesses and no residences along San Pedro Boulevard.

The UNM BBER report recites as a limitation of the study that it is based on property value assessments and that, "Tax assessment data can vary widely from actual market prices..."

Criticism: This is a crucial limitation. Using the Bernalillo County Assessor's valuation as a proxy for actual, verifiable market data weakens the conclusions of the report. While in theory, the Assessor has a duty to value properties at 100% of market value, a comparison of assessed value and actual market data indicates that assessed value is often a fraction of market value. New Mexico State Statute dictates that residential property values cannot increase more than 3% per year, from the prior year's full value. This fact further complicates the relationship of assessed value to market value, essentially making it impossible for assessed value to ever catch up to market value.

To illustrate how dramatic the difference can be, in July 2016 I appraised a 12-acre tract of vacant commercial land within one-half mile of the Eagle Rock Convenience Center. The market value was concluded at \$11/SF or nearly \$480,000 per acre. The 2017 assessed value is \$1,933,900 or \$161,158 per acre, a difference of more than 66%. This clearly demonstrates how dramatic the difference can be between market value and assessed value, which in my opinion calls the results of the study into question and likely understates the economic impact of the proposed facility on surrounding and nearby property values. The author acknowledges this weakness; this weakness results in a vast understatement of the value diminution.

Section 3.1 - Eagle Rock Convenience Center: The UNM BBER report explains that BBER developed three separate models, one for Eagle Rock, one for Don Reservoir, and one for Montessa Park Convenience Center. The report continues by explaining that the Don Reservoir

and Montessa Park facilities were eliminated from further study because of their isolated locations.

Criticism: This logic underscores the importance of siting such facilities (particularly a multi-component facility such as the proposed project) in isolated areas. Although the area of the Eagle Rock facility is not quite as isolated as the Don Reservoir and Montessa Park facilities, it is nonetheless more remote and in a far less dense area than the proposed project. Based on research published by the Mid-Region Council of Governments regarding land area, population, housing, and employment data, a comparison of the area of the proposed project, and the Eagle Rock area, suggests that the population of the proposed project area is much denser than the Eagle Rock area, with more than 90% higher employment. In short, the population and employment density is much greater in the proposed project area than in the Eagle Rock area, significantly increasing the adverse impacts from the proposed project.

Section 4.2 – Results – Eagle Rock Building/Improvement Value Model: On page 8 of the study, the author supports his assertion that the value of building improvements is not impacted by stating, “...the cost of the building and improvements is likely the same in all areas.”

Criticism: This statement is contrary to common knowledge in the local real estate market. Such a statement disregards all other characteristics that might impact the contributory value of the building improvements which would include building age, physical condition, construction quality, functional utility, etc. These factors and others have a significant impact on the contributory value of the buildings. External obsolescence is a form of depreciation; it is a loss in value caused by negative externalities, i.e., factors outside a property. In this case, external obsolescence is caused by proximity to the detrimental influences of the proposed facilities including increased traffic, odors, etc. External obsolescence is specifically the loss in value attributable to external influences allocated to the building improvements.

In Appendix A of the study, the author cites and later relies on a list of published studies suggesting that both land and building improvements are adversely impacted by the devaluing influence. The author chooses to disregard this aspect of the literature research relating to impact upon building improvements.

Section 4.3 – Results – ETS Land Value Model: On page 9, the study references 577 properties that were analyzed near the proposed waste transfer station, as compared to 3,145 properties in the Eagle Rock model.

Criticism: The specific study area is not defined, and the reason for including thousands more properties in the Eagle Rock model as compared to the model for the proposed location, is

unclear. Furthermore, page 9 references 577 properties whereas the tables on page 15 reference 414 properties for the ETS Land Value Model.

Criticism: Reasons for the discrepancies in the UNM BBER report are unclear. Although the study assessed the impact of “existing factors” or “negative externalities” at the proposed ETS site, the study does not consider similar negative externalities for the Eagle Rock site, the reason or reasons for which are also unclear.

Conclusions: Given the lack of similarity of any of the local convenience centers to the proposed ETS, it is clear the author should have expanded the geographic horizon to include other markets in order to make a reasonable comparison.

The primary weaknesses of the study are 1) the use of assessment values, 2) the premise that building improvements are not adversely impacted, and 3) the comparison of the proposed facilities to the existing Eagle Rock Convenience Center. The UNM BBER study concludes that the overall economic impact of the proposed facilities is estimated at approximately \$5,000,000, with \$2.7 million attributable to the proposed convenience center and \$2.3 million attributable to the proposed transfer station. On page 15, the study states, “The net loss for all land value is estimated at \$4.9 million, 6% of the land’s current value.”

For all of the reasons cited above, in my opinion the adverse impact on property values in the area of the proposed Edith Transfer Station and Convenience Center, are well understated at 6%. It is much more likely that the impact is more aligned with the best presented data presented in the author’s bibliography, which suggests a 12% to 18% loss in value.