



**City of Albuquerque
Planning Department**

Tim Keller, Mayor

May 2, 2019

To: Albuquerque Development Commission
From: Karen Iverson, Metropolitan Redevelopment Agency Manager
Subject: Metropolitan Redevelopment Bond Fee

Metropolitan Redevelopment Agency (MRA) recommends adopting a policy that will require a fee on all Metropolitan Redevelopment Bonds. The fee would equate to 10% of the value of the abated taxes and payable to the MRA on an annual basis.

The Chart below shows how the property tax abatement and the fee would be calculated on a hypothetical Metropolitan Redevelopment Bond application. The fee would be payable on an annual basis over the seven year tax abatement period.

a. Initial Annual Property Tax Amount	\$10,000
b. Annual Property Tax Amount After Construction	\$200,000
c. Annual Tax Increment to be Abated (line a. – line b.)	\$190,000
d. Annual Metropolitan Redevelopment Fee (10% of line c.)	\$19,000

The fees are low in comparison to other New Mexico jurisdictions. Payments in Lieu of Taxes or fees are a common component of bond and tax abatement programs.

- Bernalillo County: For IRB's the fee is equal to that portion of the abated taxes that otherwise would be due and payable to the Albuquerque Public Schools, the University of New Mexico and Central New Mexico Community College.
- Various NM Counties: Santa Fe County, Dona Ana County, McKinley County, the City of Santa Fe and the City of Las Cruces consider economic development proposals on a case-by-case basis and negotiate fees that run between 5% and 25% the value of the abated taxes.

Development finance agencies, such as the MRA, should strive to become self-sustaining entities. It is considered best practice for a development authority to earn on-going fees through the life of outstanding bonds. These fees typically cover staffing and compliance needed to manage the program as well as increasing the capacity of the agency. The best development agencies effectively use proceeds from bond transactions to fund operations and sustainability.

MRA Funding Background

In 1989, the City of Albuquerque created Tax Increment Finance (TIF) districts on four projects. Per Metropolitan Redevelopment State Statute, TIF districts capture the City's portion of the incremental taxes, exclusive of the amount going to debt service. The largest of these four properties were the Hyatt building and the Caven Building (500 Marquette NW). The TIF revenue was dedicated to the Metropolitan Redevelopment Fund from 1990 to 2009. The annual value of the tax increment was approximately \$400,000 and covered MRA operating expenses.

Again in 2001, the City created TIF Districts on seven additional MRA projects. Those projects include:

- Villa San Felipe Apartments
- International Marketplace
- 1010 Candelaria
- Old Albuquerque High
- Historic District Improvement
- Forest Service Building
- Social Security Building

Most recently, in 2004, the City created a TIF District for the Embassy Suites project.

The funding from these TIF districts covers the operating budget of the MRA. The annual amount of the TIF transferred to the Metropolitan Redevelopment Fund is approximately \$245,000. The last annual payment will be made in Fiscal Year 2021. However, transfers did not begin until FY 2015. Therefore, there have been catch-up payments for several years. The last catch up payment of \$210,000 was received in FY 2019. The chart below shows the projection of MRA's expenses and income over the next several years.

	FY 2019	FY 2020-2021	FY 2022 and beyond
MRA Operating Expenses	\$279,000	\$279,000	\$279,000
MRA Income			
Annual TIF Payments	\$245,000	\$245,000	
Catch-Up TIF Payments	\$210,000		
Total	\$455,000	\$245,000	\$0

It is critical that the MRA identify ongoing revenue sources to support the operations of the Agency. Over the past 16 months, ADC has approved five MR bond applications. Had this fee been in place, MRA could be receiving up to \$246,000 annually. The use of MR Bonds has recently become popular with the development community, and we are excited to partner with them on the development of catalytic projects that will have a positive economic and fiscal impact to the community. However, MR must find a source of revenue to support its activities. Attached is a letter of support from Titan Development for this policy.

Staff Recommendation: Recommend to City Council the adoption of an ordinance approving a fee, to support future redevelopment, on all Metropolitan Redevelopment Bonds in an amount equivalent to ten percent of the abated property taxes on the incremental property valuation.

March 5, 2019

Mr. Lawrence Rael
Chief Operating Officer
City of Albuquerque
PO Box 1293
Albuquerque, NM 87103

RE: Proposed PILOT on Metropolitan Redevelopment Bonds

Dear Lawrence,

This letter is in response to our meeting held on January 15th, 2019 regarding the possible PILOT structures for Metropolitan Redevelopment Bonds (MRBs). Thank you for facilitating the meeting with David and Karen; we appreciate the ability to participate in the process to develop an equitable solution.

We understand Titan's four current projects to be exempt from the PILOT as they were in the final stages of predevelopment prior to the Metropolitan Redevelopment Department's PILOT proposal. We appreciate the department's decision to grandfather these projects: Broadstone Northpoint, Highlands North, Marriott Springhill Suites, and Broadstone Nob Hill.

Thank you for your solicitation for feedback on future PILOT calculations for MRB projects. Titan agrees that a ten percent PILOT on the incremental tax increase between existing taxes and the completed construction value is a fair amount. The PILOT should be calculated on actual Bernalillo County Notice of Values (NOVs) for the property. Additionally, it should allow the owner the opportunity to protest the NOV on a yearly basis prior to assessing the PILOT. The University of New Mexico Bureau of Business and Economic Research (BBER) report that is an element of the MRB application process cannot be used to calculate the PILOT as its calculations grossly inflate property tax amounts when compared to actual market conditions.

Thank you very much for the opportunity to help with the adoption of a PILOT program. We are always available to help and are grateful for any occasion to collaborate with the City.

Sincerely,



Kurt Browning
Chief Development Officer

CC: David Campbell – Planning Director, City of Albuquerque
Karen Iverson – Metropolitan Redevelopment Director, City of Albuquerque
Josh Rogers – Director of Development, Titan Development