

Metropolitan Redevelopment Bond Application

MRB-18-1



City of Albuquerque

Metropolitan Redevelopment Agency

This page intentionally left blank

ALBUQUERQUE DEVELOPEMNT COMMISSION

January 18, 2018

MRB-18-1 Bank of the West Center Project

REQUEST: Approval of the issuance and sale of metropolitan redevelopment bonds in an amount not to exceed \$30,000,000 is requested for the Bank of the West Center Project.

PROJECT SUMMARY:

Roma Fourth Capital, LLC (“Applicant”) is requesting metropolitan redevelopment bonds (“MRB”) to develop and redevelop major components of the newly named Bank of the West Center Project (the “Project”). The Project is located in the Downtown Metropolitan Redevelopment Area and is situated on almost an entire city block. The Project site is bounded by Lomas Boulevard to the north, Roma Avenue to the south, 3rd Street to the east and 4th Street to the west. The property on the northeast corner of the boundary, Sunwest Silver, is **not** part of the Project site. A map showing the Project boundaries can be seen on page 1 of the application package, attached as Exhibit A.

The Applicant has three managers, all of whom are experienced in the development and operation of a variety of real estate projects. The managers of the Applicant are; Scott Throckmorton from Argus Investment Realty, Jeffery Jesionowski from AMC Development, and John Sedberry from Sedberry and Associates.

The existing conditions of the Project site include a surface level parking lot, two office buildings containing approximately 230,000 square feet, a restaurant and a parking structure with 963 spaces.

The Project will include several phases and consist of multiple components including; façade upgrades to the existing structures, new building entry portals, demolition of a currently underperforming space, enhancements to a public plaza, pedestrian improvements that will include wayfinding signage and tenant identity signage and street furniture, mounted solar panels on the residential portion and parking garage, new and upgraded landscaping features, and the development of a new mixed-use project located on the corner of Lomas Blvd. and 3rd St. The new mixed-use project will include ground-floor retail and restaurant space, new Class A office space and 174 residential market rate units with amenities. Once completed, the Project will add jobs, residents, density and activity to the Downtown core.

The Project is not expected to generate significant environmental impacts to the area in regards to waste generation, air pollution or noise. As the project is located in the existing Downtown core, there are no major infrastructure needs expected.

The Project is expected to create between 200 and 400 construction jobs for both trades and management roles.

Once completed the Project is expected to generate approximately 243 permanent jobs. The breakdown of those jobs is estimated as follows:

- 139 permanent jobs for the 23,600 square feet of ground floor restaurant and retail space;
- 6 permanent management and maintenance jobs to support the 174 residential units; and
- 98 permanent jobs to occupy the new Class A office space.

Construction on the Project is anticipated to begin in June 2018 and take between 18-20 months to complete Phase I and an additional 12 months to complete Phase II. The feasibility of completing both Phases concurrently is currently being examined. If deemed feasible the entire Project could be completed in the 18-20 timeframe.

The Applicant is requesting a \$30,000,000 metropolitan redevelopment bond for the sole purpose of the 7 year tax abatement mechanism that the MRB provides to the property owner. The abated taxes will be reinvested into the Project and compliment other financing tools including personal equity and conventional financing. If approved, the MRB will be sold to an affiliate of the Applicant, in a “self-funded” transaction.

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.

The Applicant has already invested \$8 million in equity in the land acquisition and intends to invest an additional \$6 million in equity in the improvements and new development of the Project.

Downtown Albuquerque and the Downtown Metropolitan Redevelopment Area has been a priority for revitalization efforts in recent years. Several projects, both public and private, have been undertaken recently. Major projects that are currently underway or recently completed include: One Central, The Imperial Building, Innovate Albuquerque, The Convention Center Renovation, 505 Central, and the Civic Plaza Upgrades.

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. 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 as Exhibit A.

PROJECT ANALYSIS

I. ZONING, LAND USE, PLANNING AND DESIGN ELEMENTS

1. PLAN AND ZONING

The Project site is located in the Downtown Metropolitan Redevelopment Area. The project site is specifically bounded by Lomas Boulevard to the north, Roma Avenue to the south, 3rd Street to the east and 4th Street to the west (less a property located at the southeast corner of Lomas Blvd. and 4th St.)

The existing zoning of the site is SU-3 Governmental/Financial/Hospitality Focus as governed by the Downtown 2025 Plan. The City recently adopted an Integrated Development Ordinance (“IDO”) that will become effective in May 2018. Under the IDO the zoning will be converted to MX-FB-UD (Mixed Use – Form Based-Urban Development). The proposed uses to be developed on the site are appropriate and allowable under the existing and future zoning of the site.

2. LAND USE

The project would consist of the construction of new mixed-use buildings comprised of 23,600 square feet of ground floor retail space, over 28,400 square feet of Class A office space and 174 market-rate residential units with high-end finishes and amenities. A new pedestrian bridge will be constructed from the existing parking garage to the new third floor plaza in the residential building.

The new buildings have been designed to fit into the context of the site and surrounding environment. The buildings will be pushed to the edge of the property lines and engaging to the pedestrian environment. The buildings will screen the existing parking garage and hide the service areas from view.

Although there is no parking requirement for new development projects in the Downtown area, the Project site currently has one of the largest parking garages in Downtown with 936 spaces. The garage will be available to accommodate for the new development and increased activity.

Upgrades will be made to the existing structures on the Project site including;

- Multi-tenant monument signage to replace old monument signage;
- Covered parking canopies with solar photovoltaic panels on the roof of the parking garage;
- Replacing all lighting in the parking garage with LED;
- Improved courtyard area with sculptures and landscaping;
- New wayfinding signage;
- New storefronts with automatic doors;
- New building entry canopies;
- New and replaced landscaping including large potted plants;
- Removal of a building addition on 3rd Street north of the existing office building;
- Redesign parking garage stairs;
- Remove or screen rooftop equipment; and
- Reuse and supplement existing pavers.

3. INFILL

The Project is located in Downtown Albuquerque and represents a sizable investment in the area and the revitalization efforts currently underway. The project will, in part, convert a surface level parking lot into a mixed-use building with commercial, office and residential uses. This will bring new jobs, permanent residents, visitors and customers to the Downtown area. The Project will increase the density of the area and allows for the use of existing infrastructure and will not require substantial public infrastructure expansion or replacement.

4. DESIGN AND CONSERVATION

The Project is designed to fit into the existing context of the downtown and urban environment of which it will be a part of. The height of 7 stories and the positioning near the street, with virtually no setback, is appropriate for the site.

The Project intends to include 300 photovoltaic panels on portions of the mixed-use buildings, as well as on top of new canopies to be constructed on the existing parking garage. Additionally, the Project intends to have living walls and roof-top gardens placed throughout the residential portion.

5. DEMOLITION

Minor demolition of a currently underutilized portion of an existing structure will occur. The demolition will make way for the enhancement of a public plaza space near the interior of the Project area.

6. RELOCATION

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

II. REMOVAL OF BLIGHTED CONDITIONS

1. REDEVELOPMENT

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

The Bank of the West Center Project will include the development and redevelopment of nearly an entire city block in the Downtown area. The Project will be phased over time and includes:

- Façade upgrades on existing structures;
- New entry portals on buildings;
- Demolition of a currently underperforming space;
- Public plaza enhancement;
- Pedestrian improvement that will include wayfinding signage and new street furniture;
- Roof mounted solar panels;
- New and upgraded landscaping features; and
- Development of a new 7-story, mixed-use building on the corner of 3rd St. and Lomas Blvd. that will consist of ground-floor retail, new office space and over 174 market-rate residential units.

The addition of new market-rate housing units to the area is essential in recruitment and location of new businesses and services to the area. New residents represent an increased customer base and help to show a geographic area's viability for new business to occur. The

new residents will spend money in the area and increase the local tax base for years to come. The addition of 174 residential units will add variety and competition to the apartment marketplace in the area.

While there has not been new Class-A office space constructed in Downtown in over a decade, and the current vacancy rate for office space hovers at a level above other districts in Albuquerque, Downtown remains the location for most governmental and legal operations in the city. The Proximity of the Project to the City and County offices, as well as the multiple courthouses of the area, should provide a desired location for professional firms to locate to. The successful occupancy of the new office space may encourage other landlords of the area to upgrade their existing space or remove outdated and underperforming space from the market, thus lowering the vacancy rate and encouraging new and modern spaces and facilities to be developed ultimately recruiting new professional and high tech firms, businesses and jobs to the Downtown area.

The new jobs that will be created because of the development of the Project will help contribute to the economic environment and tax base of the area. The jobs created will be dispersed across multiple sectors and income levels.

The development of what are currently surface level parking lots into a vertically integrated mixed-use project will have a variety of positive effects. The removal of the surface level parking lots will increase the activity and profitability of the space while at the same time, improving the appearance and pedestrian experience for those in the area. The new buildings will provide increased opportunities, for residents and visitors, to live, work and play 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 between 200 and 400 for both trade and management roles.

The total number of permanent jobs that are anticipated to be created by Phase I of the project is estimated to be approximately 178. The estimated dispersal of those jobs is as follows:

- 99 jobs within the newly developed restaurant and retail uses;
- 6 management and maintenance jobs created to service the new residential units; and
- 73 jobs related to the new Class A office space that will be developed.

The total number of permanent jobs that are anticipated to be created by Phase II of the project is estimated to be 65. The estimated dispersal of those jobs is as follows:

- 40 jobs within the newly developed restaurant and retail uses; and
- 25 jobs related to the new Class A office space that will be developed.

Given the construction and permanent jobs projections, the Project is anticipated to generate between 400 and 650 total jobs.

2. HOUSING

There has been a steady increase in the number of housing units in the Downtown area over recent years, much of it affordable. This Project intends to develop 174 market rate residential units, in a mix of sizes and floor plans, which will help to increase the density and activity in the area, as encouraged by the Downtown 2025 Plan. The increased housing stock will bring permanent residents to the area outside of the normal business hours when most people inhabit the Downtown area. Those residents will become customers of downtown businesses, provide additional eyes on the street and contribute to the revitalization efforts currently underway.

IV. PROJECT FEASIBILITY

1. FINANCING AND FEASIBILITY

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.

2. COST

The total estimated cost of the Project is approximately \$30 million.

The estimated appraised value of the Project after completion is \$50 million.

3. DEVELOPER'S RECORD

The development team, Roma Fourth Capital, LLC, has three managing members ("Managers"); Scott Throckmorton from Argus Investment Realty, Jeffery Jesionowski from AMC Development, and John Sedberry from Sedberry & Associates. The Managers have a strong track record of successfully developing and managing a variety of real estate projects, both collectively and individually, throughout the city and state.

4. EQUITY

The applicant has invested \$8 million in equity in the land acquisition and intends to invest an additional \$6 million in equity in the improvements and new development for the Project.

5. MANAGEMENT

The applicant commits to build, manage and provide an overall long-range commitment to the Project and the Downtown area.

FINDINGS

1. MRB 18-1 will make a positive impact and help to revitalize the local economy and Downtown community. The Project will contribute to the goals of the Downtown Metropolitan Redevelopment Plan by making a private sector investment of approximately \$30 million that will bring new jobs, housing and activity to area. The Project will show increased viability in the Downtown marketplace for new commercial and residential development by others.
2. MRB 18-1 supports many of the objectives desired by the Downtown Metropolitan Redevelopment Plan including, but not limited to: Promoting high density urban housing within the Downtown Core; Developing a variety of housing types throughout Downtown; Providing a variety of retail goods and services in Downtown to serve a broad range of residents, employees and visitors; and Encouraging small businesses to locate and stay downtown.
3. MRB 18-1 will help to remove blighted conditions that exist in the area and work to improve the economic and social environments of the area.

STAFF RECOMMENDATIONS

Based on the application package provided by the Applicant and the above findings, staff recommends approval of MRB 18-1 as proposed.

Prepared by: Matthew Butkus
Metropolitan Redevelopment Agency