City of Albuquerque
Planning Department

Tim Keller, Mayor

December 13, 2018

To: Albuquerque Development Commission

From: Karen Iverson, Metropolitan Redevelopment Agency Manager

Subject: Metropolitan Redevelopment Bonds PILOT

Metropolitan Redevelopment Agency is adopting a policy that will require a 10% Payment In Lieu of Taxes (PILOT) 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 PILOT would be calculated on an example 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	$7,300
b. Annual Property Tax Amount After Construction	$342,300
c. Annual Tax Increment to be Abated (line a. – line b.)	$335,000
d. Annual Metropolitan Redevelopment PILOT (10% of line c.)	$33,500

Currently, an applicant for an MR bond pays the following application fees:

- $2,500 to the Metropolitan Redevelopment Agency to cover a portion of staff time associated;
- $1,800 to the Bureau of Business and Economic Research (BBER) for the fiscal impact report; and
- The City's outside bond council expenses.

While these fees cover a portion of the application expenses, the fees are low in comparison to other jurisdictions. PILOTs are a common component of bond and tax abatement programs.

- Bernalillo County: For IRB's the PILOT 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 PILOTS that general 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.

It is critical that the MRA identify ongoing revenue sources to support the operations of the MRA. For the past twenty years, MRA was funded, in large part, by Tax Increment Finance (TIF) revenue from several projects within Metropolitan Redevelopment Areas. The TIF revenue from these projects will end in FY 2022. Therefore, we are at a critical juncture and need to identify ways to ensure the ongoing operations and sustainability of the MRA.