



**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 Statue, 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

Metropolitan Redevelopment Bond History

Project Name/Developer	Location	Date Approved	Summary	Property Taxes before Construction*	Projected Property Taxes after Construction*	Total Project Investment*	Construction Jobs*	Permanent Jobs*	Other Community Benefit	Status
Villa San Felipe	Alvarado MRA 6th and Coal	10/1999	160 Unit Affordable Housing							Abatement Ended Construction Complete
Historic Improvement District- Theater Block	Alvarado MRA First and Central	11/2001	Theater, ground floor retail, 34,000 sq. ft. office							Abatement Ended Construction Complete
Forest Service Building	Railroad MRA Broadway & Lead	2001								Abatement Ended Construction Complete
Embassy Suites John Hammonds	Martineztown Santa Barbara MRA Lomas/ I-25	10/2004	261 room hotel			\$47M	800	175	water conservation plan; neighborhood residents has first access to jobs; local contractors for construction; \$25K/ yr to support neighborhood projects	Abatement Ended Construction Complete
Bank of the West Center/ Roma Fourth Capital	Downtown MRA Lomas and Third	9/2018	23,600 ground floor retail; 174 residential units; 28,000 office	\$260,000	\$968,000	\$30M	200	243		Bonds to be induced Pre-Development
Broadstone Northpoint/ Titan Development	Coronado MRA San Mateo/ Alameda	11/2018	226 apartments	\$31,000	\$602,000	\$35.7M	200	8		Bonds Induced Construction Complete
Broadstone Highlands North/ Titan Development	Sycamore MRA Copper & Cedar	Ordinance to Council 6/19	92 apartments	\$7,000	\$342,000	\$20.5M	200	7		To be approved
Marriott Springhill Suites/ Titan Development	Sycamore MRA Central and Cedar	Ordinance to Council 6/19	138 room hotel + 20 rooms for Ronald McDonald	\$3,400	\$456,000	\$26.4M	123	50		To be approved
Broadstone Nob Hill/ Titan Development	Highlands MRA Sierra and Central	Ordinance packet to be prepared	102 apartments	\$9,600	\$413,000	\$21.5M	200	7		To be approved
TOTAL				\$311,000	\$2,781,000	\$181.1 M	1723	493		

*As projected in MR Bond Application/Fiscal Impact Study

Property Development Incentives: Quick Glance Summary

Tax Increment Tools		
	Tax Increment Finance	Tax Increment Development District
Purpose	Elimination or prevention of slum and blight	Provide financing for public infrastructure to support economic development and job creation
Where	In a Metropolitan Redevelopment Area	Anywhere in the City
Use of Funds	Any use of funds per MR code including grants and loans	Publicly owned infrastructure per an approved TIDD Plan
Length	Up to 20 years	Up to 25 years; can be phased to maximize revenue stream as improvements are made
Benefit	Captures 100% incremental city property taxes; Other jurisdictions need to approve dedication of their incremental property taxes. Governor approves for the State.	Captures up to 75% of incremental property and gross receipts tax; other jurisdictions need to approve dedication of their incremental property taxes and GRT. State legislature approves for the State.
Administration	MRA receives funds	TIDD board appointed by City Council
Bondable	No; 2003 AG guidance letter	Yes
Approval	City Council	City Council, then Election of Property Owners and Residents in the District
Other mechanisms		Can impose a property tax w/ vote of property owners
Examples	Projects- Old Albuquerque High, International marketplace, Historic District Improvements, Embassy Suites Districts- Farmington, Silver City, and South Broadway	Winrock, Mesa Del Sol, Las Cruces Downtown Effective TIDD Capture Rates: Mesa Del Sol- 4.5%; Winrock 1- 3.7%; Winrock 2- 4.2%

Tax Abatement Programs		
	Metropolitan Redevelopment Bond	Industrial Revenue Bond
Purpose	Elimination or prevention of slum and blight	To induce manufacturing, industrial, and commercial enterprises to locate or expand for eligible economic development projects
Where	In a Metropolitan Redevelopment Area	Anywhere in the City or within 15 miles of City boundary
Project Type	Any use that meets the goals of a Metropolitan Redevelopment Plan	Manufacturing, warehouse, services, healthcare, research, industrial parks, office headquarters. Retail or residential uses NOT allowed by City. <i>County CAN do retail but not residential.</i>
Length	7 years	Up to 20 years (30 years for County)
Benefit	Up to 100% abatement of incremental property taxes; all jurisdictions with city council approval	Up to 100% abatement of real and personal property taxes (including base taxes); abatement of all jurisdiction property taxes with city council. No GRT on personal property including equipment that is purchased in the state of NM (No comp tax if purchased outside of NM).
Approval	ADC recommends to City Council for approval	ADC recommends to City Council for approval
Other	Abatement is in conjunction with issuance of a bond, and public ownership of property until abatement period is over. Developer/owner continues to owe baseline tax value to County Assessor annually.	Abatement is in conjunction with issuance of a bond, and public ownership of land until abatement period is over
Examples	Highlands- Mixed use, Historic District Improvement, Embassy Suites	Andeluz, Bueno Foods, General Mills, CVI Laser, T-Mobile
Application Fee	Application: \$2500 to City; \$1800 to BBER	City: \$2500 to City; \$1800 to BBER <i>County: 1/10 of one percent of bond value up to \$2500; city's attorney fees; cost of economic study</i>
Ongoing Fees/PILOTS		<i>County: PILOT to hold schools harmless; others as negotiated</i>

Direct Assistance	
	Local Economic Development Act
Purpose	To allow public support of eligible economic development projects to foster, promote, and enhance local economic development
Where	Anywhere in the City
Project Type	New and existing companies that are expanding. Manufacturing, warehousing, distribution, services, cultural facility, developer of a metropolitan redevelopment project, farmers market, headquarters, 501c3. NOT retail
Use of Funds	Assistance with land, buildings, and infrastructure.
Benefit	Assistance in any legally permissible manner including grants. City may also provide a local contribution of payments reimbursing expenditures based on an increment of gross receipts tax received by the City.
Approval	ADC recommends to City Council for approval
Other	City requires a security interest, and an agreement that includes claw backs. Company must commit to operating for 10 years. Primary focus is on Economic Base jobs.
Examples	Raytheon, NM Food Distribution, Risk Sense, Skorpis
Application Fee	Application: \$2500 to City; \$1800 to BBER
Other Fees/PILOTS	

* This document is a quick reference regarding development incentive programs at the City of Albuquerque. More complete information can be obtained at cabq.gov or by calling: Economic Development Department at 505-798-3270 or the Metropolitan Redevelopment Agency at 505-924-3860.

