

48-hour Comments Received after
10/21/25 and by 9 am on 10/26/25

First Name	Last Name	Interested Party	Project Number	Comment	Attached PDF	Do you wish to submit an image?
Patricia	Willson	Resident		I have written 5 letters to the EPC regarding the 2025 IDO Update. I hope the EPC has had enough time to carefully review the Staff Report (228 pages), the Public Comments (313 pages), the Redline exhibit (709 pages), and the MartinezTown/Santa Barbara CPO-7 (113 pages). That's a grand total of 1,363 pages of material. I would recommend denial until there has been adequate time for review.	N/A	Yes
Patricia	Willson	Neighborhood Association Repres		Regarding the Martineztown/Santa Barbara CPO-7; I am not in favor of removing two parcels from the SBMTNA boundaries and placing them in the Downtown MRA. I am opposed to the Staff Recommendation of APPROVAL for PLAN # TA-2025-00001. 101 Lomas NE and 229 Broadway NE	N/A	No
Peggy	Noeron	Neighborhood Association Repres	TA-2025-00001	My comments are below as a pdf. The North Valley Coalitions requests a deferral or if not granted, opposes TA-2025-00001.	CPO-7 - comment s 48 hour.pdf	

October 25, 2025

I represent the North Valley Coalition and request a deferral on TA-2025-00001. There have been several submitted amendments emailed to us, getting to a final one issued on October 6, 2025 and I don't know when people received it in the mail. That does not comply with the application deadline in the EPC calendar. A request for a facilitated meeting by Santa Barbara Martineztown Neighborhood Association on October 10 was not responded to. I don't know who reviewed the request, but if it was incomplete, SBMNTA should have been notified and allowed to address shortcomings. I would interpret a request as indication of willingness to negotiate, if that was the only item missing. Several days ago, I received a response from Matt Cox of Council Services, the applicant, that nothing in the request was different from an initial neighborhood meeting. However, a facilitated meeting with a mediator is very different from a meeting between an applicant and a neighborhood association. Minutes of the meeting would be included in the file. There were also three other neighborhood associations and a Coalition that would have been invited to attend a facilitated meeting.

If a deferral is not approved, we oppose the changes to the boundaries of CPO-7. We are concerned with the precedent of removing a property from a character protection overlay so the protections are not provided to the property - height limits in this case, although apparently there are others. Removal of the property seems to be an endrun around the review and decision criteria required for a variance. A zone map amendment is also required, and might not be approved. That should be done first.

Peggy Norton, President
North Valley Coalition

No Ammendment to CPO-7

From Bradley Brown <martineztown2009@yahoo.com>

Date Sat 10/25/2025 6:18 PM

To Baca, Joaquin <joaquinbaca@cabq.gov>; Molina, Nathan A. <namolina@cabq.gov>; PlanningEPC <PlanningEPC@cabq.gov>

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For the October 28th EPC Meeting:

Do not remove 229 Broadway NE from Martineztown/Santa Barbara. Also, I do not support the removal of 101 Lomas NE.

Our neighborhood is small and often challenged by the city's decisions.

Sincerely,
Bradley Brown
409 Placido Martinez Ct NE

TA-2025-00001 - Amendment to the Martineztown Santa Barbara Neighborhood Boundary

From SBMTNA <sbmartineztown@gmail.com>

Date Fri 10/24/2025 2:41 PM

To PlanningEPC <PlanningEPC@cabq.gov>; Renz-Whitmore, Mikaela J. <mrenz-whitmore@cabq.gov>

Cc salamdezia@gmail.com <salamdezia@gmail.com>; jeslopez102@gmail.com <jeslopez102@gmail.com>; Rosalie Martinez <rosalimartinez06@gmail.com>; dznaranjo30@gmail.com <dznaranjo30@gmail.com>; meliszdelia@gmail.com <meliszdelia@gmail.com>; NaranjoLopez2010@gmail.com <NaranjoLopez2010@gmail.com>; Robert` Woodruff <robxela@yahoo.com>; sanignacio_abq23@archdiosf.org <sanignacio_abq23@archdiosf.org>; Ian Colburn <colburn.ian@gmail.com>; christina apodaca <mom2301br@aol.com>; lucerodarryl123@gmail.com <lucerodarryl123@gmail.com>; Evelyn Bonilla <cri4eb@yahoo.com>; Bradley Brown <martineztown2009@yahoo.com>; Bradley Brown <bbabqnm@yahoo.com>; tinadauber@gmail.com <tinadauber@gmail.com>; Diana Dorn-Jones <ddj5050@att.net>; Bianca Encinias <nmcorazon75@gmail.com>; Crystal G <crystalg79@gmail.com>; joanntg630@gmail.com <joanntg630@gmail.com>; ljinewmexico@gmail.com <ljinewmexico@gmail.com>

 9 attachments (19 MB)

Office Depot Scan 11-11-2024_16-18-01-656.pdf; FILE_7639.pdf; R-106Enacted.pdf; REALESTATECONDITIONS.pdf; Case #2024-10 SBMTNA Exhibit - FS R-20-75.pdf; Martinextown-Santa Barbara MRA Designation Report 1989.PDF; 2022 HNEDF Plan Final.pdf; PETITIONSAGAINSTDOWNTOWNPLANANDAMENDMENTOMTSBBOUNDARY.pdf; LETTERTOEPCAmendmenttoDOCPO-7.docx;

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Please see attached letter to the Environmental Planning Commission and Exhibits.

Loretta Naranjo Lopez, President
SBMTNA
(505)270-7716

https://www.cabq.gov/sustainability/documents/heat-watch-albuquerque_report_111921.pdf

October 24, 2025

Daniel Aragon, Chair
Environmental Planning Commission
600 Second Street , 3rd Floor
Albuquerque, NM 87102

RE: Project #, An IDO – Small Mapped Area - Amending the boundary of Martineztown/Santa Barbara – CPO-7 to remove 229 Broadway NE and 101 Lomas Blvd NE

Dear Chair Daniel Aragon and Environmental Planning Commission,

Santa Barbara Martineztown Neighborhood Association (SBMTNA) request a **deferral** of the Small Mapped Area – Amending the boundary of Martineztown Santa Barbara – CPO-7 to remove 229 Broadway NE and 101 Lomas Blvd NE. The reason for the deferral is that SBMTNA Martineztown Santa Barbara boundaries and was not asked to be at the table when there was any discussion regarding amending the Martineztown Santa Barbara Neighborhood boundary – CPO-7. The failure to provide proper notice to the SBMTNA and the Martineztown residents precluded proper public participation. The City of Albuquerque Planning staff and City Council staff needed to meet with the Martineztown neighborhood prior to submitting their request for amendment to the CPO-7. There should have been an advisory committee that met for one year before this request was submitted.

Furthermore, there have been many notifications recently of this request to the residents of Martineztown Santa Barbara neighborhood which has made it very difficult to know what is proposed in this request. According to our record, a public notice was mailed out on or about August 19, 2020 and needed to be corrected with the correct year of 2025 not 2020. According to the public notice, the hearing was scheduled on October 16, 2025. Another public notice was sent out on or about August 27, 2025 for the same request, but the location description and date were changed. The hearing was now scheduled for October 28, 2025. On September 4, 2025, Matthew Cox provided a report regarding the Martineztown/Santa Barbara Neighborhood Association Boundary. In this report, the Matthew Cox stated “I wanted to make sure it was clear, that as part of this amendment, we are not amending the Neighborhood Association boundary. This boundary will be untouched and has nothing to do with this amendment.” This report also states that “the neighborhood would still receive notification for any legislative items that occur on the Broadway property and surrounding properties.” This is another reason the amendment to Martineztown Santa Barbara boundary should not be changed. SBMTNA wants input in the development. The other reason is that the Martineztown Santa Barbara CPO-7 is in a historical neighborhood and has and continues to be an **adjacent** neighborhood to Downtown.

On October 6, 2025, another public notice was sent to the neighborhood association and property owners. The label on the notice had 2nd Correction letter. The hearing date was October 28, 2025. Another Correction letter date October 6, 2025 had 3rd Correction letter with added address 101 Lomas NE.

During this time, SBMTNA requested several times for a facilitated meeting due to the fact that this was unusual case for the City Council to request to change a neighborhood boundary. This is not just a boundary but an **historical** neighborhood boundary. Matthew Cox first stated he would let Tyson R. Hummell, Assistant City Attorney/ADR Coordinator know our request. He never did make that request. After I spoke with his supervisor Matthew Cox, he later informed me that I had to send an email to the Planning Director, but no email was provided. I sent the request for a facilitated meeting to devhelp@cabq.gov and never received a reply. (See email to the Planning Department Director)

The ABQ Comprehensive Plan perpetuates the inappropriate commercial and mixed-use zoning in a minority urban area that has traditionally hosted single-family dwellings. Martineztown endures heavy commercial and mixed-use zoning in contrast to the actual residential land use. As a result of the heavy commercial and mixed-use zoning, the residents of Martineztown continue to face the destruction of their neighborhood. Now the City wants to move the Downtown into Martineztown Neighborhood to benefit the land speculators and Downtown economical from the MRA funding and at the same time gentrifying the Martineztown Santa Barbara neighborhood.

The neighborhood of Martineztown Santa Barbara has suffered disproportionate detrimental impacts from the long-standing history and pattern of discrimination by the City of Albuquerque's zoning and the City has notoriously failed to correct the problem even when the Integrated Development Ordinance (IDO) was adopted. The City of Albuquerque has for over four decades repeatedly implemented detrimental zoning directly causing the erosion of the community's social fabric and historic character. Now the City has taken away a portion of our historical MRA boundary to allow the Downtown to benefit economically and to further causing displacement of residents and now proposes to amend the neighborhood boundary. (See HNDEF Report 2022)

SBMTNA recommends **denial** of the amendment to change Martineztown boundary based under Part 14-16-1 General Provisions Section 1-3 Purpose, 1-3(R) the City failed to provide processes for development decisions that balance the interests of the City, property owners, residents, and developers and ensure opportunities for input by affected parties. The City Council staff came to the neighborhood association meeting after he filed the request. A facilitated meeting should have been provided so that the facilitator is willing to work with both sides without any biases. The City of Albuquerque City staff has as per 1-3(D) the City is to protect Martineztown Santa Barbara a neighborhood that has been underserved. The City also under 1-3(E) is required to protect the quality and character of residential neighborhood of Martineztown Santa Barbara neighborhood. By creating a fortress around the neighborhood is not protecting the character nor is the recommended high density that is out of character with the historical density that exists in the neighborhood. According to 1-3 (G) the City by taking away a portion of the existing Martineztown MRA Area and the proposed amendment to the Martineztown is not promoting small scale neighborhood serving economic development opportunities to improve Martineztown Santa Barbara Neighborhood. Instead, it is promoting a playground for the rich and increasing density to expand Martineztown into a downtown urban center instead of adjacent neighborhood. This request also fails to follow 1-3(I) to protect the health, safety and welfare of the residents by promoting more intense uses that bring in more traffic in the neighborhood with diesel buses and

other vehicle which increases the already dangerous levels of pollution. (See the Health Impact Study Study done by Bernalillo County Place Matters and Heat Wave Report)

6-7(E)3. Review and Decision Criteria

Westend of the Martineztown Santa Barbara boundaries has always been zoned industrial/wholesale/manufacturing or Non-Residential – Light Manufacturing. The proposed small-mapped area boundary amendment is able to develop the property at 229 Broadway NE under the existing boundary. The Burger King at 101 Lomas NE has recently been renovated and does not need any changes. The best use for the 229 Broadway should be determined by the Martineztown Santa Barbara neighborhood not a few people who do not live in the neighborhood.

The word “Gateway” is a fad that should no longer be used especially in the historical neighborhood of Martineztown. The Embassy Suites on Woodward NE already uses the word “Gateway.” How many gateways do we need?

The City Council staff refers to the Goal 5.1 Centers and Corridors in the ABQ Comprehensive Plan. What staff fails to mention is how this development will follow Comp Plan 4-3 Development in established neighborhoods matches existing character. Established neighborhoods are protected, preserved, and enhanced in the residential neighborhood of Martineztown and how the City proposes to provide development that will meet the needs of the neighborhood? There are already pressures on Martineztown historical land use which has adversely impacted the quality of life for the residents.

The City of Albuquerque has already zoned Martineztown to achieve the highest density. The applicant has the opportunity to request a zone change under the current boundary as well as request higher height regulations. Just recently, the City approved an applicant to go 5 stories on Woodward NE. During the IDO, SBMTNA requested that the neighborhood not look like a fortress, but the City ignored the request.

The neighborhood association wants to know how the development of 229 Broadway NE will benefit the neighborhood? The neighborhood will have no say if the property is removed from the neighborhood boundary.

Downtown land use is too intense for the historical neighborhoods adjacent to downtown. The historical neighborhoods provide an opportunity for families to live in the neighborhood and their children are allowed an opportunity to benefit from existing institutions such as Albuquerque High and Longfellow Elementary public schools. Albuquerque has given millions to these schools and they need to be utilized.

The Goal 5.2 Complete Communities – Martineztown already has residents that live, work, learn, shop and play together. Under policy 5.2.1 sub policy 5.2.1m the current land is able to be utilized today without changing the boundaries and without limitations.

The vacant property is in the historical Martineztown boundary. This area has never been vacant. Several businesses were on this location and later the land was used as a ponding area. There are no high-rise towers near this site. The buildings near this site are mainly one, two stories high. There is one building five stories. There is no clean boundary map with the Downtown boundary. Lomas divides the property to south and railroad tracks divides the property to the west. The clean boundary map already exists with Martineztown Santa Neighborhood historical neighborhood boundary.

Under **6-7(E) (3)(b)**, the parcels are located next to Area of Consistency. The area needs to remain in the Martineztown boundary. The City needs to protect and preserve the neighborhood boundary.

Policy 5.6.2 is not relevant. The Major Transit Corridor is practically nonexistence. The buses do not run frequently. Before developing for a Major Transit corridor, the City really needs to do something with improving the transit system. Bus drivers are hard to find and people are too afraid to take the bus.

The Martineztown Santa Barbara is to be protected and preserved. SBMTNA believes the City of Albuquerque along with land speculators are planning to displace the residents of Martineztown, since the single-family dwellings in the neighborhood are zoned for higher density housing. Martineztown needs to have stronger policies in order to the preserve and protect the neighborhood and the city refuses to do anything to protect and preserve the neighborhood.

Under policy 5.6.2 - The development at this corner can be developed with the current Martineztown boundary. The issue is who does it benefit? The neighborhood knows this will gentrify our neighborhood. This request results in the continuous discriminatory practices by the City of Albuquerque against Martineztown residents.

Under 6-7(3) (3) (c) -The proposed area is not located wholly in an area of change. Across the street is an area of consistency. Martineztown Santa Barbara MRA R-90-498 provides the MRA TIF for future development on the site and is more appropriate to provide this funding to help improve the neighborhood which has been historically neglected by the City of Albuquerque. SBMTNA request an investigation of the MRA office since the department continues to diminish the existing R-90-498 Martineztown MRA Area. SBMTNA request an investigation of Councilor Baca since his neighborhood benefits from these changes.

There has been no change in this area. The area has been a ponding area for many years. The neighborhood association has asked for further study to determine if this property is still necessary in order to protect the neighborhood flooding. The area still floods.

Amending CPO-7 boundary does not diminish the flexibility to develop the property. The property is zoned industrial. The City will be required to request a zone map amendment regardless. The surrounding mix use zoning provides that opportunity. A boundary change or zone change does not have a greater impact on the Albuquerque Housing Crises. The city of

Albuquerque has a high vacancy rate. The issue is that the housing costs are too high for Albuquerqueans. The zoning or boundary cannot control the cost of housing.

Under 6-7(E)(3)(d) – The existing zoning allows permissive uses that are detrimental to the neighborhood. The City is proposing to change the zone which can be changed under the current boundary. The harm is by changing the historical boundary.

According to 6-7(E)(3) (e), The City of Albuquerque should not consider economics and does not have the evidence to base its justification on the cost of land or economic considerations. This has never been the reason for IDO regulations. Under Policy 8.1.1, The current regulations do not limit the property and the potential of creating diverse experiences and amenities in the area since the area already experiences diverse amenities.

Policy 9.3.1 does not pertain to Martineztown Santa Barbara Neighborhood Boundary. However, the neighborhood is zoned with mixed use development and should not stop the development on this property. The property is next to industry to the north, east is mixed use, and Lomas Boulevard and a 5-story building on the south and car rental company. The current boundary does not stop the property from being developed. The character is relatively small business one story buildings surrounding the property.

While it is impossible to remedy the decades of mistreatment and deterioration of the Martineztown Santa Barbara Neighborhood by the City of Albuquerque, SBMTNA requests that this amendment to the Martineztown Santa Barbara boundary be deferred or if deferral is not recommended that the subject request be denied, based on the staff report dated October 28, 2025:

1. There does not appear to have been an application under the IDO.
2. It appears that there was no determination that the application was complete, before scheduling this hearing.
3. The applicant has not presented evidence that the state law minimum criteria for zone changes have been met. That the applicant intends some undermined future use at the site is not sufficient to support a piecemeal zone change.
4. It appears the applicant is the City Council or Councilor Baca, and that the City Council and Councilor Baca have prejudged the proposed text amendment/zone change. The decision-maker for the text amendment/zone change should be impartial.
5. The application has not followed the Section 6-7(E) procedures.
6. The applicable criteria for the text amendment have not been satisfied.

SBMTNA recommends a standing advisory committee of community residents, business owners and City staff to work on planning and development of 229 Broadway NE under the Martineztown Santa Barbara Neighborhood boundary.

Sincerely,

Loretta Naranjo Lopez, President

Martineztown/Santa Barbara Neighborhood

Metropolitan Redevelopment Area Designation Report

**Redevelopment Division
Planning Department**

October 1989

CITY of ALBUQUERQUE
EIGHTH COUNCIL

COUNCIL BILL NO.

R-498

ENACTMENT NO.

9-1990

SPONSORED BY:

Steve D. Salazar
Vincent P. Siles

RESOLUTION

DESIGNATING THE MARTINEZTOWN/SANTA BARBARA NEIGHBORHOOD A METROPOLITAN
REDEVELOPMENT AREA, MAKING CERTAIN FINDINGS AND DETERMINATIONS
PURSUANT TO THE METROPOLITAN REDEVELOPMENT CODE.

WHEREAS, Section 3-60A-8 of the Metropolitan Redevelopment Code of
the State of New Mexico Section 3-60A-1 through 3-60A-18 N.M.S.A.
(1978 Comp.) states: "A municipality shall not prepare a Metropolitan
Redevelopment Plan for an area unless the Governing Body has by
resolution determined the area to be a slum area, or a blighted area,
or a combination thereof and designated the area as appropriate for a
Metropolitan Redevelopment Project(s)..."; and

WHEREAS, the City of Albuquerque (the "City") and the Metropolitan
Redevelopment Agency of the City (the "Agency") and their employees
and agents, have for some time engaged in a study of slum and blighted
areas within the City, and have submitted their findings and
recommendations concerning the designation of the Martineztown/Santa
Barbara Neighborhood as a Metropolitan Redevelopment Area, hereinafter
identified, to the City Council of Albuquerque (the "Council"), which
findings and recommendations are set forth in Exhibit A attached
hereto and incorporated by reference; and

WHEREAS, pursuant to Section 8 of the Metropolitan Redevelopment
Code, the Council has caused to be published on October 21 and 22,
1989 in the Albuquerque Journal, a newspaper of general circulation
in the metropolitan area, a notice containing a general description of
the area and the date, time and place where the Council will hold a
public hearing to consider the adoption of this resolution, and

Underscored Material - New
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1 announcing that any interested party may appear and speak to the issue
2 of the adoption of this resolution; and

3 WHEREAS, the Albuquerque Development Commission held an advertised
4 public hearing on October 23, 1989, took testimony from the public,
5 and recommended to the Council the designation of the Martineztown/
6 Santa Barbara Neighborhoods as a Metropolitan Redevelopment Area as
7 described herein; and

8 WHEREAS, the Council met on this 20th day of November 1989, at the
9 time and place designated in the notice, to hear and consider all
10 comments of all interested parties on the issue of the adoption of
11 this resolution; and

12 WHEREAS, the Council has considered the findings and
13 determinations set forth in Exhibit A, attached hereto, and all
14 comments made at the public hearing concerning the conditions which
15 exist in the proposed Martineztown/Santa Barbara Neighborhood
16 Metropolitan Redevelopment Area, including the conditions identified
17 in Exhibit A, attached hereto.

18 BE IT RESOLVED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF
19 ALBUQUERQUE:

20 Section 1. The Council hereby finds and determines that the
21 proposed Martineztown/Santa Barbara Neighborhood Metropolitan
22 Redevelopment Area is an area which, by reason of presence of a
23 substantial number of deteriorated or deteriorating buildings;
24 predominance of defective or inadequate street layout; faulty lot
25 layout in relation to size, adequacy, accessibility, or usefulness;
26 unsanitary or unsafe conditions; deterioration of site or other
27 improvements; obsolete or impractical planning and platting, special
28 assessment delinquency exceeding the fair value of the land, defective
29 or unusual conditions of title, improper subdivisions or lack of
30 adequate housing facilities in the area, or an area where a
31 significant number of commercial or mercantile businesses have closed
32 or significantly reduced their operations due to the economic losses
33 or loss of profit due to operating in the area; low levels of

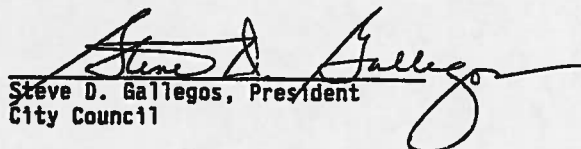
1 commercial or industrial activities or redevelopment; or any
2 combination of the above factors, substantially impairs and arrests
3 the sound growth and economic health and well-being of the City and
4 the proposed Martineztown/Santa Barbara Neighborhood Metropolitan
5 Redevelopment Area; constitutes an economic and social burden; is a
6 menace to the public health, safety, morals and welfare in its present
7 condition and use; is a blighted area and is appropriate for a
8 Metropolitan Redevelopment Project(s);

9 Section 2. The Council hereby finds that the rehabilitation,
10 conservation, development and redevelopment of and in the proposed
11 Martineztown/Santa Barbara Neighborhood Metropolitan Redevelopment
12 Area is necessary in the interest of the public health, safety, morals
13 and welfare of the residents of the City.

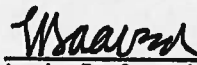
14 Section 3. The Council hereby declares the area identified in
15 Exhibit A, attached hereto, to be the Martineztown/Santa Barbara
16 Neighborhood Metropolitan Redevelopment Area.
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1 PASSED AND ADOPTED THIS 3rd DAY OF JANUARY, 1990.

2 BY A VOTE OF 9 FOR AND 0 AGAINST.

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8 Steve D. Gallegos, President
City Council

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10 APPROVED THIS 19th DAY OF January, 1990.

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15 Louis E. Saavedra, Mayor
16 City of Albuquerque

17 ATTEST:

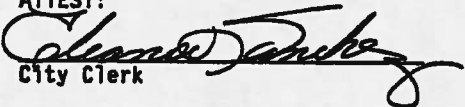
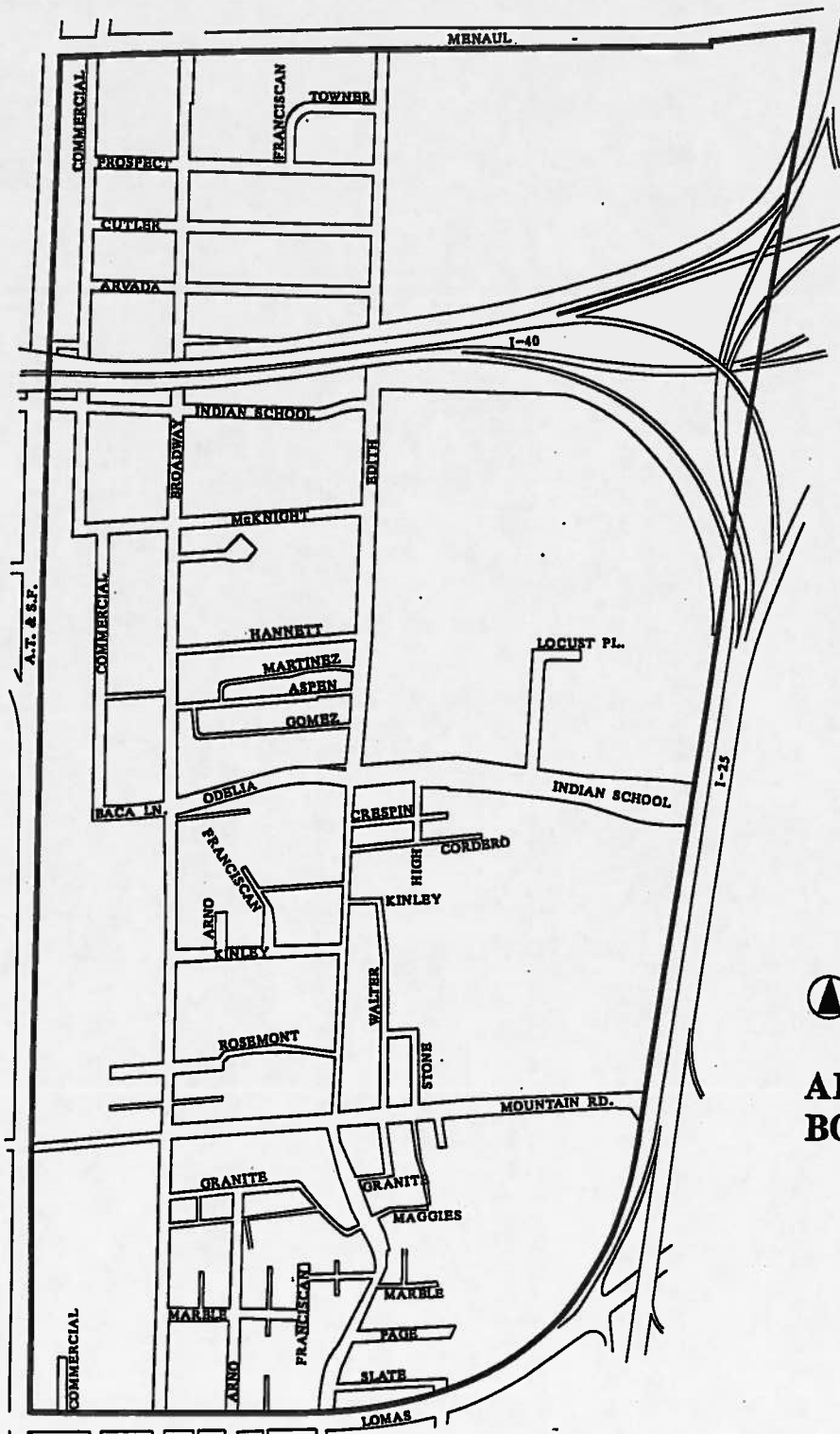
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EXHIBIT A

MARTINEZTOWN/SANTA BARBARA



 NORTH 6/89

**AREA
BOUNDARY**

MARTINEZTOWN/SANTA BARBARA NEIGHBORHOOD
METROPOLITAN REDEVELOPMENT AREA DESIGNATION REPORT

INTRODUCTION

The Metropolitan Redevelopment Code (3-60A-1 to 3-60A-48 NMSA 1978) provides cities in New Mexico with powers to correct conditions in areas or neighborhoods within municipalities which "substantially inflict or arrest the sound and orderly development" in the city. These powers can only be used within designated Metropolitan Redevelopment Areas; establishment of a Metropolitan Redevelopment Area is based on findings of conditions of "slum" or "blight."

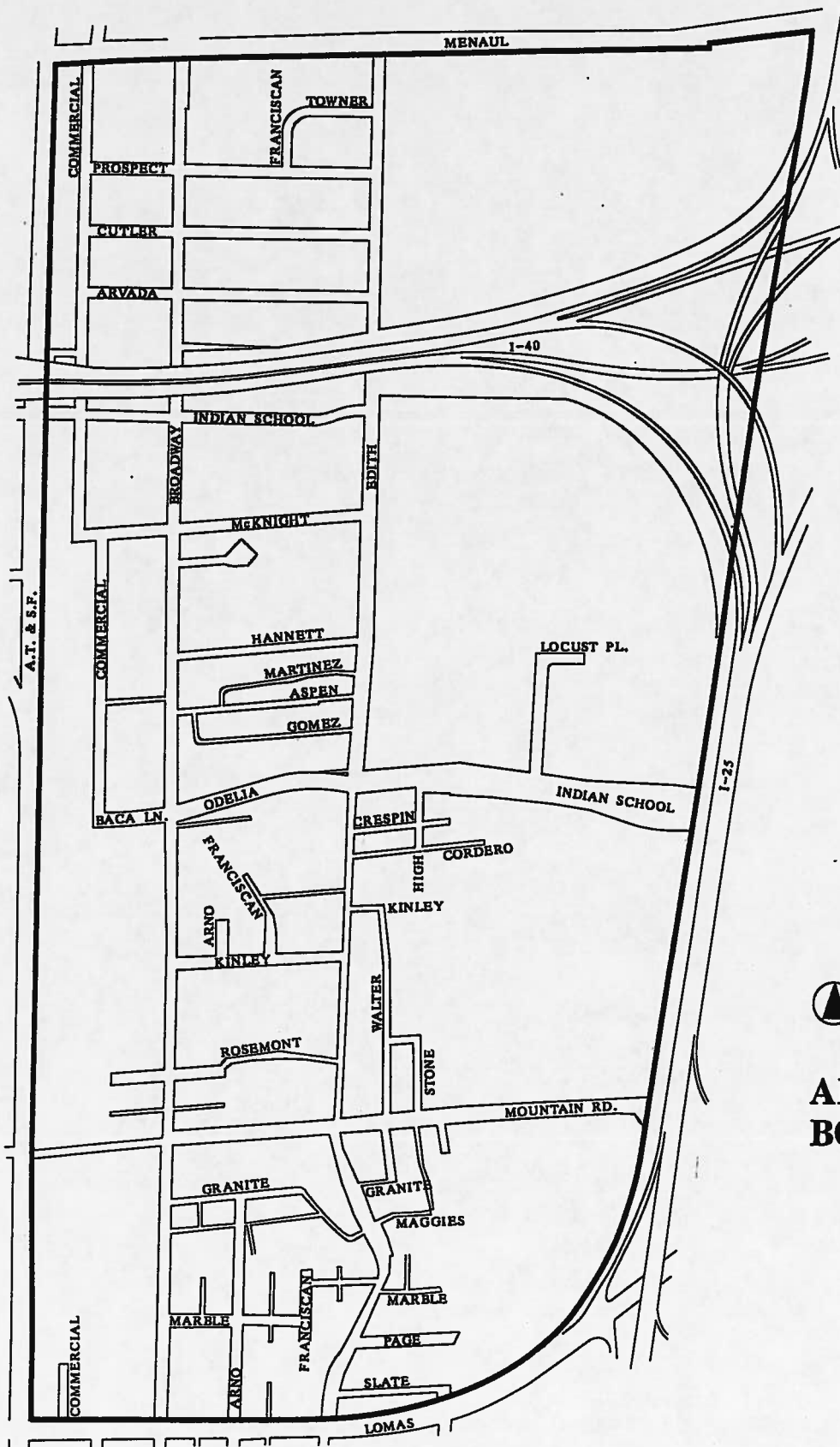
The Martineztown/Santa Barbara area is proposed as a Metropolitan Redevelopment Area by this Designation Report. The boundaries (see page 2 and Map A for specific boundaries) are I-25 on the east, Menaul Boulevard on the north, the Santa Fe Atchison and Topeka Railway tracks on the west, and Lomas Boulevard on the south.

The criteria for a "blighted" area (see below) in the Code can be divided into five major groups: existing physical conditions, physical layout, safety, current use, and land ownership. The following existing conditions analysis examines each of the criteria groups and finds that Martineztown/Santa Barbara exhibits a combination of the factors contributing to a blighted condition.

The revised Martineztown/Santa Barbara Sector Development Plan recommends Metropolitan Redevelopment Area designation; the Plan was recommended for adoption by the Environmental Planning Commission in September. Some of the research used in the Sector Development Plan has been used for this report.

"Blighted area" means an area within the area of operations other than a slum area, which by reason of the presence of a substantial number of deteriorated or deteriorating structures, predominance of defective or inadequate street layout, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair value of the land, defective or unusual conditions of title, improper subdivisions or lack of adequate housing facilities in the area or obsolete or impractical planning and platting, or an area where a significant number of commercial or mercantile businesses have closed or significantly reduced their operations due to the economic losses or loss of profit due to operating in the area, low levels of commercial or industrial activity or redevelopment, or any combination of such factors, which substantially impairs or arrests the sound growth and economic health and well being of a municipality or locale within a municipality, or an area which retards the provisions of housing accommodations or constitutes an economic or social burden and is a menace to the public health, safety, morals or welfare in its present conditions and use.(3-60A-4, NMSA 1978)

MARTINEZTOWN/SANTA BARBARA



MAP A



AREA
BOUNDARY

AREA BOUNDARIES

The area shown on the attached map and described below is proposed for designation as a Metropolitan Redevelopment Area.

Beginning at the intersection of the north right-of-way line of Lomas Boulevard NE with the east right-of-way line of the Atchison, Topeka and Santa Fe Railway;

- Thence, north along the east right-of-way line of the Atchison, Topeka and Santa Fe Railway of the south right-of-way line of Menaul Boulevard NE;
- Thence, east along the south right-of-way line of Menaul Boulevard NE to its intersection with the west access control line of Interstate Highway 25;
- Thence, south along a projected line from said intersection to the west access control line of the Lomas Boulevard off-ramp of Interstate Highway 25;
- Thence southwest along the west access control line of the Lomas Boulevard off ramp of Interstate Highway 25 to its point of intersection with the north right-of-way line of Lomas Boulevard NE;
- Thence, west along the north right-of-way line of Lomas Boulevard NE to the point and place of beginning.

EXISTING CONDITIONS ANALYSIS

1. EXISTING PHYSICAL CONDITIONS

1.1 Deterioration of site or other improvements

Note: Site conditions were analyzed through visual driving and walking surveys.

1.1.1. Unimproved lots and non-landscaped areas are scattered throughout the area, often grouped together, contributing to a sense of neglect. Landscaping on commercial and industrial properties is poor or non-existent, which has a blighting effect on surrounding areas. Many of these problems can be seen along Broadway, Edith, Odellia, and Commercial. Heavy commercial and manufacturing businesses are often located adjacent to residential areas (see Exhibit I). These businesses include contractor's yards, outdoor storage and heavy equipment yards, warehouses and automobile repair shops. Many of these businesses do not meet City landscaping and buffering code requirements; several of these may have existed before the requirements were established. Exhibit I, following, shows areas with neglected or absent landscaping, including large amounts of weeds or litter. Deteriorated fencing is also evident in the area.

1.1.2 Sidewalks: Sidewalk conditions are poor in several sections of the Martineztown/Santa Barbara Neighborhood (see Exhibit II). Many sidewalks are deteriorated and in some areas are non-existent, notably along portions of major streets such as Menaul, Commercial, Odellia, and Mountain. In addition, the placement of utility poles and signposts along sidewalks, the prevalent narrow rights-of-way, and few pedestrian crossing zones, make pedestrian travel difficult and unsafe.

1.1.3 Trash, weeds, and litter: Trash, weeds and litter are found on most of the vacant lots, with some notable exceptions. A number of sidewalks exhibit significant weed growth, as do several industrial/commercial sites just east of Broadway. See Exhibit I.

2. PHYSICAL LAYOUT

2.1 Predominance of defective or inadequate street layout

2.1.1 Defective or inadequate street layout depends on intensity and types of uses and the age of the existing street system. The community was established in the early to mid-1800s as an agricultural village. Early development followed the typical pattern of Spanish settlements with long narrow parcels and houses clustered

MARTINEZTOWN/SANTA BARBARA

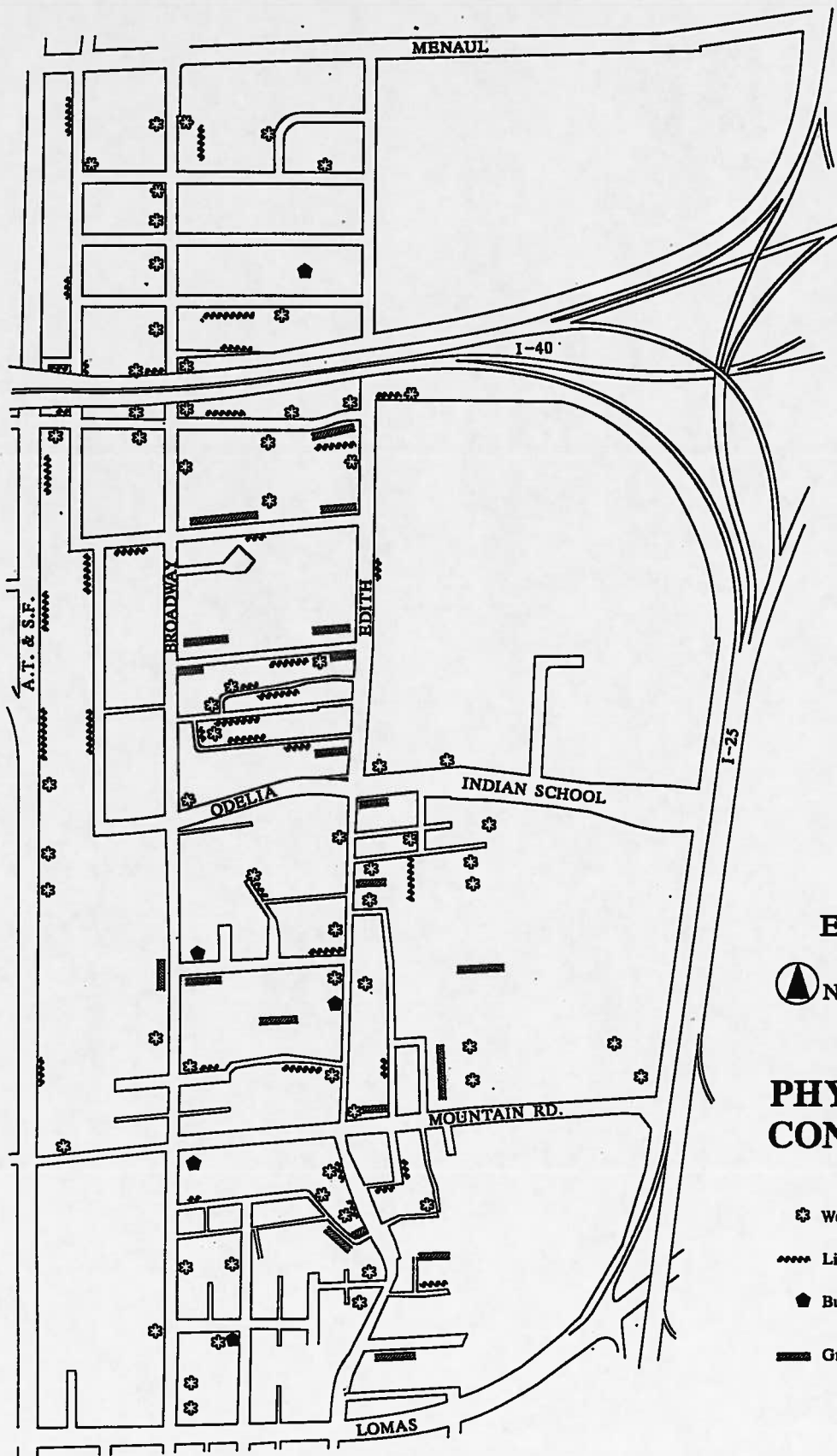
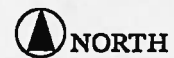


EXHIBIT I



NORTH

PHYSICAL CONDITIONS

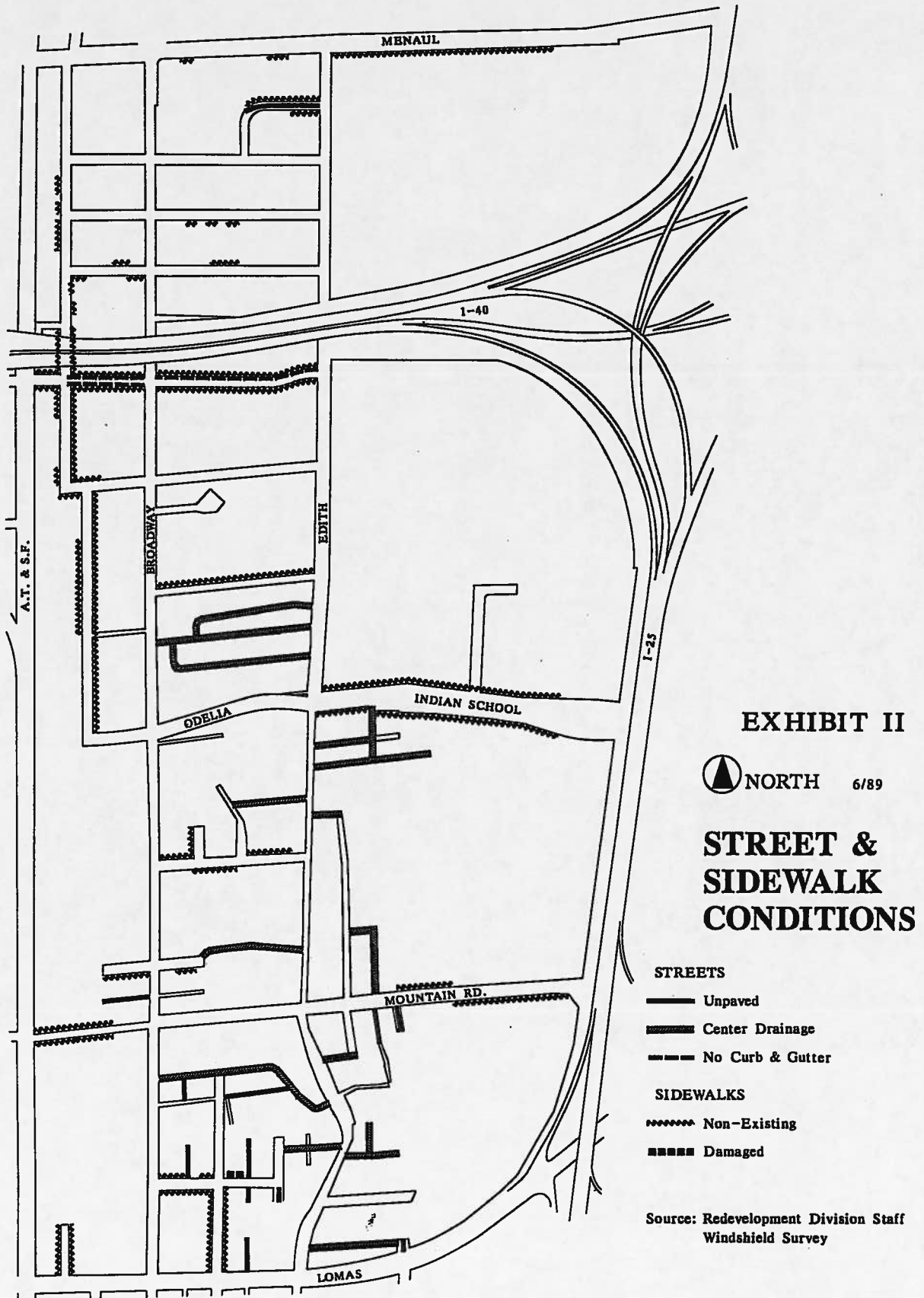
★ Weeds

..... Litter

◆ Buffering Needed

▬ Graffiti

MARTINEZTOWN/SANTA BARBARA



on these parcels near a central narrow thoroughfare. The clustering was intensified by the village's location up against the sandhills. As a result many streets in the area are narrow with houses immediately adjacent to the street; several streets dead end at the sandhills. Uses vary from industries to old established homes; the street system includes century-old wagon roadways as well as modern industrial access roads.

In the older portion of Martineztown/Santa Barbara south of I-40 and east of Broadway, many of the streets are less than 32 feet wide (some are less than 20 feet wide). In low density residential areas, emergency vehicle access is difficult (see Section 3 below). In the industrial/commercial areas located just east of Broadway south of I-40, many of the streets are narrow (see Exhibit III). A number of the manufacturing and heavy commercial uses allowed by the zoning are located on streets considerably narrower than the width of 68 feet recommended for access to industrial areas by the Long Range Major Street Plan, (see 4/89 revisions in the 1990 Transportation Program, p. D 4-5). Some streets are only 20 feet wide.

In the twentieth century the placement of Interstate 40 through a more recently settled residential area at the north end of the area created opportunities north of the freeway for uses such as small manufacturing and shipping, adding to the mixture of uses with inadequate streets. Here, as in the south area, commercial/industrial uses on Edith are spilling west onto residentially scale 32-foot-wide streets in the neighborhood. Towner, a narrow unpaved road just south of Menaul, is currently being used for industrial/commercial access.

2.2 Faulty lot layout in relation to size, adequacy, accessibility or usefulness

2.2.1. In relation to size:

Lot size varies in the Martineztown/Santa Barbara neighborhood from area to area. In the area between I-40 and Menaul, many R-1 zoned lots are of substandard size according to the City Comprehensive Code minimum requirement of 6,000 square feet. Many lots in the mid and southern areas are smaller and narrower than those to the north, since they are often remnants of old farming strips connected to the now unused Barelás Ditch. The Sector Development Plan, 1989, recommends allowance of narrower lots and reduced open space in the residential areas to complement the existing older small lots; however, a majority of the existing lots are smaller than those proposed.

MARTINEZTOWN/SANTA BARBARA

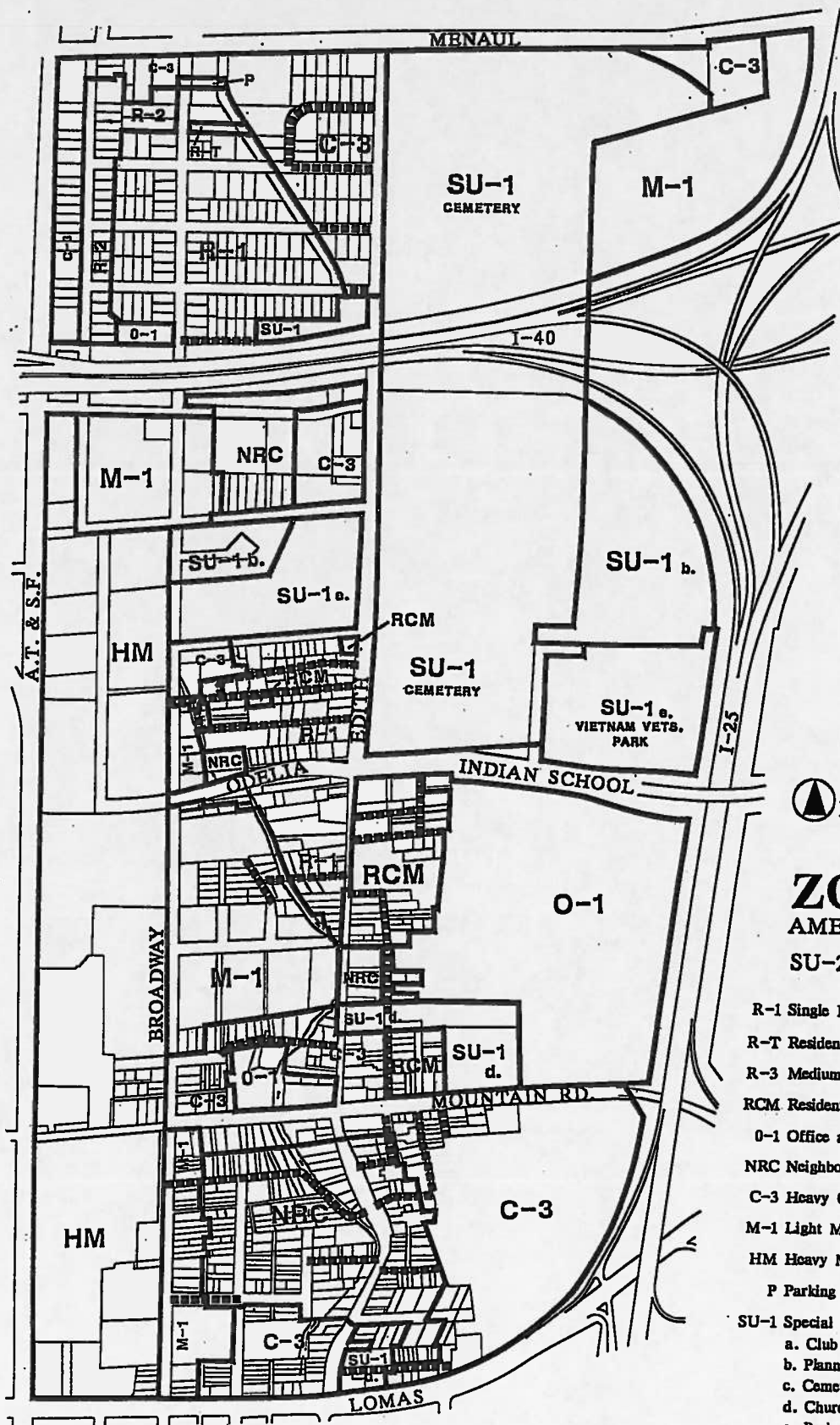


EXHIBIT III

NORTH 6/89

ZONING AMENDED

SU-2

- R-1 Single Family Residential
- R-T Residential Townhouse
- R-3 Medium Density Residential
- RCM Residential Comm. Martineztown
- O-1 Office and Institution
- NRC Neighborhood Residential Commercial
- C-3 Heavy Commercial
- M-1 Light Manufacturing
- HM Heavy Manufacturing
- P Parking
- SU-1 Special Use Zone
 - a. Club
 - b. Planned Residential Development
 - c. Cemetery
 - d. Church & related uses
 - e. Park

===== Streets with inadequate width

Note: Zones shown on map are unique to the Martineztown/Santa Barbara Sector Plan Area.

2.2.2 In relation to adequacy:

As with the street layout described in 2.1 the inadequacy of lot layout varies with the intensity of the allowable land use. Parts of the area are zoned for manufacturing and heavy commercial and are divided into small narrow lots, notably along Broadway south of Odellia and along Rosemont (see Exhibit III). Although there are no lot size requirements for heavy commercial or manufacturing uses in the revised plan, the small lots preclude adequate accommodation of buildings and parking suitable for such uses.

2.2.3. In relation to accessibility:

Many lots (see Exhibit III) are only accessible by narrow substandard streets or undedicated right of way.

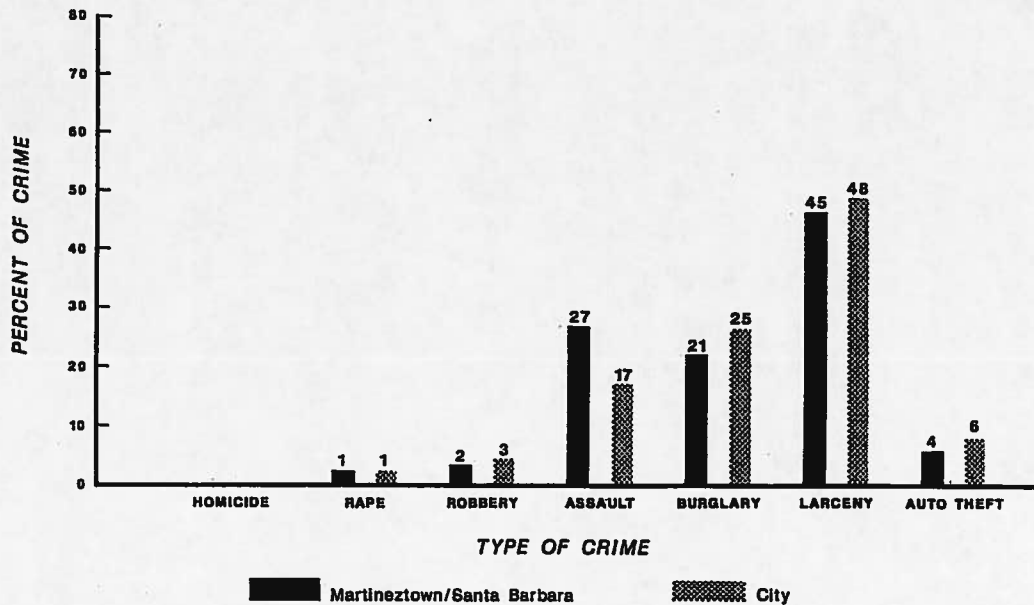
2.3 Obsolete or Impractical Planning and Platting

Current planning and lot layout are impractical for existing zoning including residential, commercial and manufacturing areas; see 2.2 for details.

3. UNSANITARY OR UNSAFE CONDITIONS

3.1 Crime

3.1.1 Statistics on reported crimes (see Figure 1) in the Martineztown/Santa Barbara area indicate that the overall crime rate is close to that in the city as a whole, although in one category - assault - the percentage is notably higher than that in the city as a whole.



MARTINEZTOWN/SANTA BARBARA
PERCENTAGE OF TOTAL REPORTED CRIMES 1986

3.1.2 The City Police Department states that inadequate street lighting can contribute to opportunity for assault. This condition is evident in many of the residential areas and along major streets in Martineztown/Santa Barbara such as Menaul Blvd., Indian School Road/Odelia, Edith Blvd., Mountain Road, Commercial Ave., and Lomas Blvd. (see Exhibit IV).

3.2 Emergency Vehicle Access

Some dwellings in Martineztown/Santa Barbara with access only on narrow streets may be inaccessible to fire, ambulance and other emergency vehicles. This situation is a potentially dangerous one for the safety of the area (see accessibility map, Exhibit III).

3.3 Perception of safety

At public meetings held during preparation of the revised sector development plan, Martineztown/Santa Barbara area residents stated that crime was a major concern. Substance abuse, burglaries and transients were named as particular concerns.

3.4 Flooding

During the recent heavy rains in the city (July, 1989) several streets in the Martineztown/Santa Barbara area between Edith and Broadway, Lomas and Mountain, flooded. This entire area is within the 100-Year-Flood Zone (see Exhibit V). A storm sewer line is projected to be installed in this area, but no work to date has been performed.

The Odelia Dam Outfall storm drainage project currently empties onto Edith Boulevard just south of I-40, and flooding is reported by residents of the area to the west and north of Edith and I-40. Parts of this area are within the 100-Year-Flood Zone (see Exhibit V). The problem has been identified by the Public Works Department, but no work to date has been performed.

4. CURRENT USE

4.1. A significant number of commercial or mercantile buildings have closed or moved elsewhere in the city.

Business turnover in the Martineztown/Santa Barbara area is significant. Only eleven out of 42 area businesses listed in the 1977 City Directory are still located in Martineztown/Santa Barbara in 1989. Over half (42 out of 81) of the businesses on Broadway between Lomas and Menaul listed in the City Directory between 1977 and 1988 have closed or moved elsewhere within the last ten years. A 1989 survey of the Martineztown/Santa Barbara area businesses

MARTINEZTOWN/SANTA BARBARA

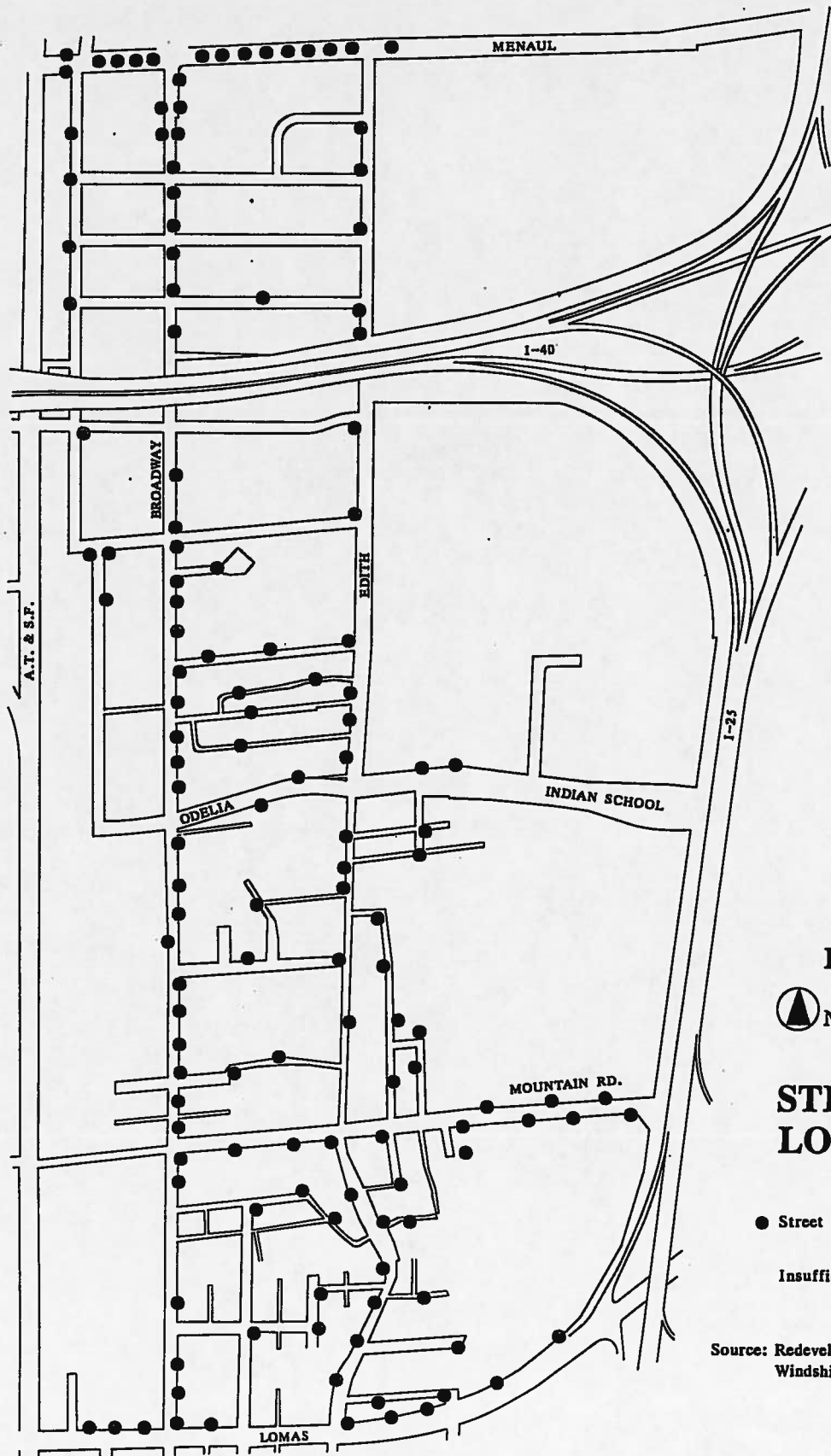


EXHIBIT IV



STREET LIGHT LOCATION

● Street Lights

Insufficient Lighting

Source: Redevelopment Division Staff
Windshield Survey

MARTINEZTOWN/SANTA BARBARA

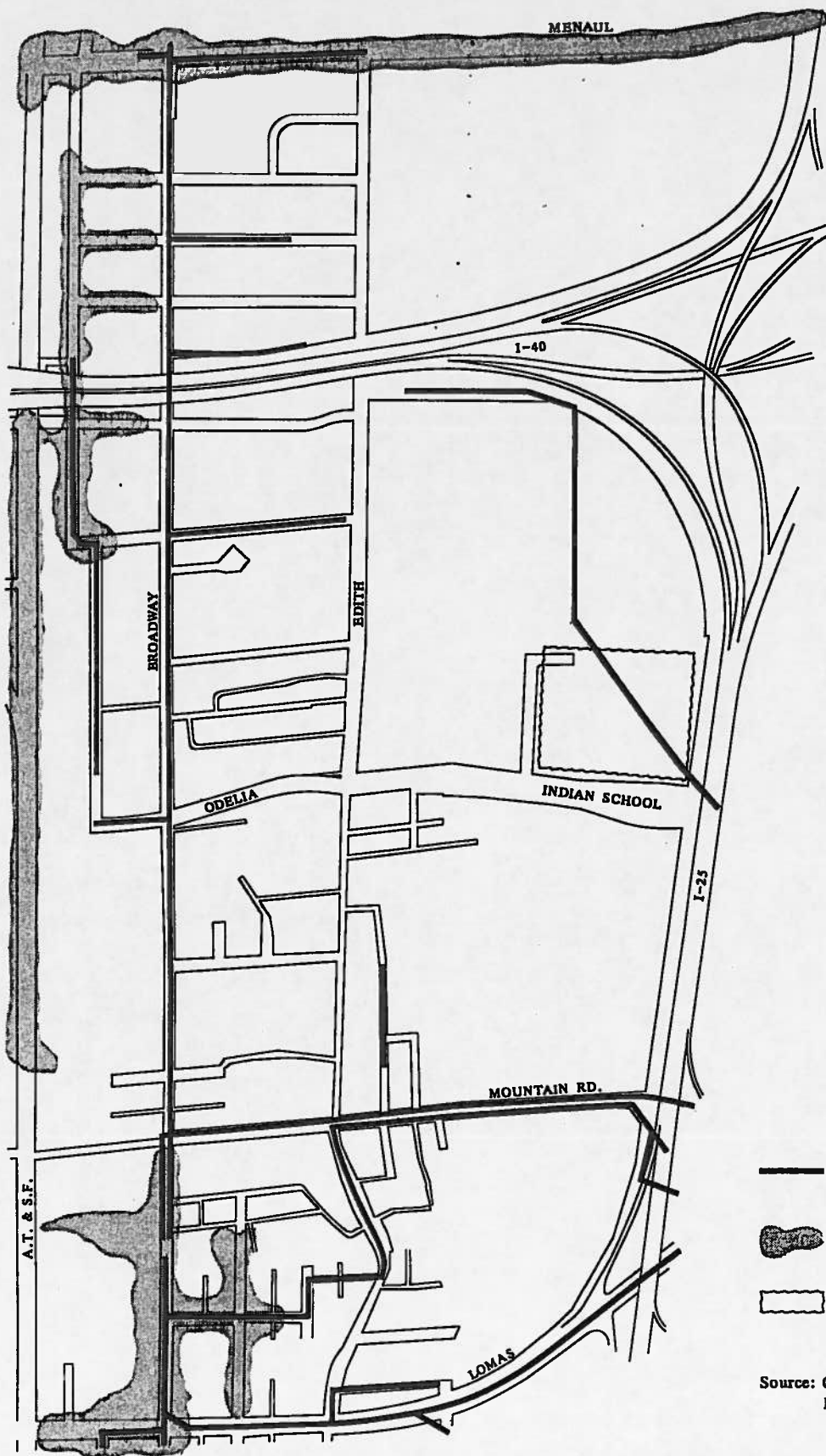


EXHIBIT V



FLOODWAY

— Storm Sewer Lines

 100 Year Flood Boundary

 Detention Pond

Source: City of Albuquerque
Public Works Dept.

surveyed by the Redevelopment Division in 1987 showed that more than one quarter (29 out of 99) of those in the area in 1987 are no longer open or have changed name or ownership. The 1989 survey identified nineteen new or renamed businesses in the area.

4.2 Low levels of commercial or industrial activity or redevelopment

Only two major construction projects have occurred in Santa Barbara/Martineztown during the last ten years: the New Mexico Employment Security Department Building located on Mountain west of Edith and the Sun Village Apartments located south of I-40, west of I-25.

Commercial and industrial enterprises on Broadway and the west side of Edith, north of I-40, provide employment opportunities for residents of the area. However, the unemployment rate in Martineztown/Santa Barbara is 10.3%. This rate is significantly higher than that in the city as a whole (6.4% according to the 1980 census. Businesses which are notably lacking in the community are those which provide services and goods for the residential areas. Of the approximately 100 businesses in the proposed MR area, only five provide neighborhood services: two small variety/grocery stores, a farmers market, five body shops, and a small restaurant.

4.3 Inappropriate subdivisions or lack of adequate housing facilities in the area.

4.3.1 Appropriate subdivisions include adequate lot size, good access, and planning for drainage, among other facilities. Subdivisions in the area, as noted above, do not meet these criteria.

4.3.2 Lack of adequate housing facilities

Affordable housing is a need in the area, as stated by residents in planning meetings held by the Redevelopment Division. The median household income in Martineztown/Santa Barbara, according to the 1980 Census, was \$9,839 (\$819 a month), only slightly more than half of the city median household income. The 1980 median housing value in the area was \$32,314. Monthly payments at 11% for a 30-year loan (in 1980 interest rates jumped from 9.5% to 12.5%) for a house of this value would have been approximately \$355 a month (including principal, interest, insurance and taxes) or \$4260 annually, 43% of median household income. This percentage is more than ten per cent higher than the percentage financial institutions feel is affordable. For households with higher incomes, a higher percentage can be allocated toward housing costs.

The rarity of new housing projects underscores the lack of housing development in the area. Since most of the existing housing stock is already more than 40 years old, new housing will soon become a necessity. The 1980 Census reported that 84% of the area's houses was constructed prior to 1960, 67% were built before 1950. Although

the 1970s Model Cities program and the current City Housing Division program has rehabilitated homes in Martineztown/Santa Barbara, it can be expected that repairs for many of the houses of this age will be increasingly impractical.

5. LAND OWNERSHIP

5.1 Diversity of Ownership

The complex development history of the area has resulted in many privately-owned small parcels in the center of the community with larger tracts and institutional or business ownership in the areas adjacent to the railroad and to the freeway. 1980 Census data indicates that 51 percent of the housing is owner occupied while 44 is tenant occupied, with 5% of the housing stock vacant. The residentially developed lots have been passed on from family generation to generation and some properties now have title problems (see 5.2). The relatively undeveloped land east of Edith north of Odellia and between the sandhills and I-25 is owned by a few major landholders: the cemeteries, Sandia Foundation, the Albuquerque Public Schools, and the Archdiocese of Santa Fe. The Springer Corporation owns sizable tracts adjacent to the railroad tracks and at the southwest corner of Menaul and I-25. The Barelitas Ditch, no longer used by the Middle Rio Grande Conservancy District and now under multiple ownership, runs through the entire neighborhood.

5.2 Defective or unusual conditions of title

Martineztown/Santa Barbara was settled before New Mexico became part of the United States and properties in the area have been passed down through many generations. Property transfers include nineteenth century wills dividing the land among many family members, MRGCD easements, land sales through modern subdivisions, donations to the Archdiocese of Santa Fe, and institutional acquisition of property. Conditions of title are therefore complex and often unusual or defective. Several property owners who applied for the City rehabilitation funds have had difficulty in obtaining clear title.

CONCLUSION

As shown in the above report, existing conditions meet the criteria for a "blighted" area. These conditions have "substantially" impaired "the sound growth and economic health and well being" of Martineztown/Santa Barbara.

The designation of the area as a Metropolitan Redevelopment Area will assist in achieving the following goals stated in the recently revised Martineztown/Santa Barbara Sector Development Plan:

Eliminate conditions which are detrimental to public health, safety and welfare

Conserve, improve and expand housing availability to all families

Improve economic conditions through coordinated public and private actions

With the powers made available with Metropolitan Redevelopment area designation, the Redevelopment Division will be working with the private sector and other City agencies to realize these goals: creating opportunities for appropriate new housing, assisting in the establishment of new commercial ventures in the area, and coordinating Public Works projects in the area.

CITY of ALBUQUERQUE
SIXTEENTH COUNCIL

COUNCIL BILL NO. 0-04-73 ENACTMENT NO. 55-2004

SPONSORED BY: Eric Griego

ORDINANCE

1
2
3 **RELATING TO THE REDEVELOPMENT, LEASING AND SALE OF A METROPOLITAN**
4 **REDEVELOPMENT PROJECT AND THE ISSUANCE OF METROPOLITAN**
5 **REDEVELOPMENT REVENUE BONDS PAYABLE FROM RENTAL PAYMENTS**
6 **THEREFORE; APPROVING THE METROPOLITAN REDEVELOPMENT PLAN**
7 **ENTITLED "JOHN Q. HAMMONS INDUSTRIES EMBASSY SUITES PLAN;"**
8 **AUTHORIZING THE ACQUISITION OF LAND AND CONSTRUCTION OF A**
9 **BUILDING WITHIN THE MARTINEZTOWN/SANTA BARBARA METROPOLITAN**
10 **REDEVELOPMENT AREA; AUTHORIZING THE DISPOSITION BY LEASE AND SALE**
11 **OF THE CITY'S INTEREST IN SUCH PROJECT TO HAMMONS OF NEW MEXICO,**
12 **LLC, ITS SUCCESSORS AND ASSIGNS; AUTHORIZING THE ISSUANCE AND SALE**
13 **OF THE CITY OF ALBUQUERQUE, NEW MEXICO METROPOLITAN**
14 **REDEVELOPMENT REVENUE BONDS (JOHN Q. HAMMONS - EMBASSY SUITES**
15 **HOTEL PROJECT) SERIES 2004 IN THE MAXIMUM PRINCIPAL AMOUNT OF**
16 **\$12,000,000 TO PROVIDE FUNDS TO FINANCE A PORTION OF THE COSTS OF**
17 **THE ACQUISITION AND CONSTRUCTION OF THE PROJECT; AUTHORIZING THE**
18 **EXECUTION AND DELIVERY OF AN INDENTURE, LEASE AGREEMENT, BOND**
19 **PURCHASE AGREEMENT, THE BONDS, AND OTHER DOCUMENTS IN**
20 **CONNECTION WITH THE ISSUANCE OF THE BONDS AND THE PROJECT;**
21 **MAKING CERTAIN DETERMINATIONS AND FINDINGS RELATING TO THE BONDS**
22 **AND THE PROJECT; RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND**
23 **REPEALING ALL ACTIONS INCONSISTENT WITH THIS ORDINANCE.**

1 *WHEREAS, the City of Albuquerque (the "City") is a legally and regularly*
2 *created, established, organized and existing municipal corporation of the State of*
3 *New Mexico (the "State"); and*

4 *WHEREAS, the City desires to promote redevelopment in areas designated*
5 *as blighted areas so as to promote neighborhood stabilization by providing*
6 *affordable housing, convenient services, creating new jobs, upgrading area*
7 *buildings, infrastructure and housing for such areas and to promote public health*
8 *welfare, safety convenience and prosperity; and*

9 *WHEREAS, the City Council, the governing body of the City, has adopted*
10 *Resolution No. R-498, finding that the Martineztown/Santa Barbara Metropolitan*
11 *Redevelopment Area is an area which, by reason of, among other things, the*
12 *presence of a substantial number of deteriorated and deteriorating structures and*
13 *low levels of commercial and industrial activity and redevelopment, substantially*
14 *impairs and arrests the sound growth and economic well-being of the City and the*
15 *Martineztown/Santa Barbara Metropolitan Redevelopment Area, constitutes an*
16 *economic and social burden, is a menace to the public health, safety, morals and*
17 *welfare in its present condition and use, is a blighted area appropriate for a*
18 *metropolitan redevelopment project, and that the rehabilitation, conservation,*
19 *development and redevelopment of and in the Martineztown/Santa Barbara*
20 *Metropolitan Redevelopment Area is necessary and in the interest of the public*
21 *health, safety, morals and welfare of the residents of the City; and*

22 *WHEREAS, pursuant to the Metropolitan Redevelopment Code, Sections 3-*
23 *60A- 26 through 3-60A-46, New Mexico Statutes Annotated, 1978 Compilation,*
24 *as amended (the "Act"), the City is authorized to acquire, whether by*
25 *construction, purchase, gift or lease, and to finance, sell, lease, or otherwise*
26 *dispose of, projects as defined in the Act, and to issue revenue bonds for the*
27 *purpose of financing such projects; and*

28 *WHEREAS, the City Council ("Council") has adopted an ordinance*
29 *establishing the Albuquerque Development Commission (the "Development*
30 *Commission") to review projects proposed to be financed with metropolitan*

1 redevelopment revenue bonds pursuant to City Resolution No. 16-1985, as
2 amended; and

3 WHEREAS, John Q. Hammons Industries (together with its successors and
4 assigns, the "Company") has presented to the Development Commission and the
5 Council a proposed metropolitan redevelopment plan whereby the City will,
6 pursuant to the Act, acquire from the Company land located within the City and
7 within the Martineztown/Santa Barbara Metropolitan Redevelopment Area for
8 redevelopment by the lessee/purchaser thereof for commercial and business use as
9 a hotel (the "Plan"), and pursuant to which the City would issue its metropolitan
10 redevelopment revenue bonds in order to finance construction of an Embassy
11 Suites Hotel (the "Project"); and

12 WHEREAS, under the Company's proposal, the City would enter into an
13 Indenture dated as of December 1, 2004 or such other date as is agreeable to the
14 parties (the "Indenture"), with a bank exercising trust powers, as trustee (the
15 "Trustee"), pursuant to which, together with this ordinance (the "Ordinance"), the
16 City would issue its bonds designated as the City of Albuquerque, New Mexico
17 Metropolitan Redevelopment Revenue Bonds (John Q. Hammons-Embassy Suites
18 Hotel Project), Series 2004 (the "Bonds"); and

19 WHEREAS, under the Company's proposal, the City and the Company would
20 enter into a Lease Agreement dated as of December 1, 2004 or such other date as
21 is agreeable to the parties (the "Lease"), pursuant to which the Company will lease
22 and agree to purchase the land and building comprising the Project from the City,
23 and the Company shall make payments to the Trustee sufficient to pay the
24 principal of, redemption premium, if any, and interest on the Bonds and to pay all
25 other obligations incurred pursuant to the provisions of the Lease and the
26 Ordinance; and

27 WHEREAS, the Lease includes provisions pursuant to which the Company
28 agrees to (i) a water conservation plan, (ii) provide pre-applicant training
29 opportunities, first access and notification of jobs to neighborhood residents by
30 participating in the City's job training program and in job fairs at least once a
31 year, working with the New Mexico Department of Labor, directing mail to

1 neighborhood residents, and posting job openings at neighborhood community
2 centers, (iii) a local purchasing program, pursuant to which the Company shall
3 participate in the development of a City-sponsored program to use local goods and
4 services, (iv) a transportation demand management program, (v) a requirement to
5 utilize local contractors for construction of the hotel, (vi) a contribution of \$25,000
6 per year for ten (10) years to support projects within the Martineztown Santa
7 Barbara Metropolitan Redevelopment Area to be annually allocated in a fair and
8 equitable manner by the Santa Barbara/Martineztown Neighborhood Association,
9 and (vii) a summer internship program; and

10 WHEREAS, the Bonds in an aggregate principal amount not to exceed
11 \$12,000,000 will be issued, sold and delivered by the City pursuant to a bond
12 purchase agreement (the "Bond Purchase Agreement") among the City, the
13 purchaser of the Bonds and the Company; and

14 WHEREAS, the proceeds of the Bonds shall be applied to pay a portion of
15 the costs of the Project and to pay certain costs associated with the issuance of
16 the Bonds; and

17 WHEREAS, the Albuquerque Development Commission has reviewed the
18 Plan and the Bonds, has held a public hearing on the Plan and the Bonds, has
19 determined that the Company has complied with Resolution No. 16-1985, as
20 amended, and has recommended approval of the Plan and the Bonds by the
21 Council; and

22 WHEREAS, the City Council adopted Resolution No. R-02-183, Enactment
23 No. 1-2003 indicating its intent to take all necessary and advisable steps to effect
24 the issuance of the Bonds subject to full review of the documents to which the
25 City is a party and authorization by the City Council of the issuance of the Bonds.

26 WHEREAS, Hammons of New Mexico, LLC, in reliance on the City Council's
27 stated intent in Resolution No. R-02-183 to issue the Bonds, initiated construction
28 of the Project.

29 WHEREAS, the City Council has held a public hearing on the Plan and the
30 Bonds, after proper notice; and

1 **WHEREAS, the Plan will meet the objectives of the Act and will benefit the**
2 **City's efforts to revitalize the Martineztown/Santa Barbara Metropolitan**
3 **Redevelopment Area of the City; and**

4 **WHEREAS, the Plan has been filed with the City Clerk and presented to the**
5 **City Council; and**

6 **WHEREAS, there have been filed with the City Clerk and presented to the**
7 **City Council the forms of the following documents:**

- 8 1. **Lease Agreement**
- 9 2. **Indenture**
- 10 3. **Bond Purchase Agreement**

11 **The Lease, Indenture, and Bond Purchase Agreement are collectively referred to in**
12 **the Ordinance as the "Bond Documents;" and**

13 **WHEREAS, the Council has determined that it is in the best interest of the**
14 **City: (i) to issue the Bonds; and (ii) to execute and deliver the Bond Documents,**
15 **and other documents related thereto; and**

16 **WHEREAS, the City is authorized to issue the Bonds under the Act and the**
17 **Ordinance and has concluded that it is desirable at this time to authorize the**
18 **issuance of the Bonds to finance the Project and that the City's issuance of the**
19 **Bonds will constitute and be a valid public purpose; and**

20 **WHEREAS, there has been published in The Albuquerque Journal, a**
21 **newspaper of general circulation in the City, public notice of the Council's intention**
22 **to adopt this Ordinance, which notice contained certain information concerning the**
23 **Plan and the ownership, purpose, location and size of the Project and the maximum**
24 **amount of the Bonds to be issued to finance the Project, which notice was**
25 **published at least fourteen (14) days prior to final action upon this Ordinance;**

26 **BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF**
27 **ALBUQUERQUE:**

28 **Section 1. RATIFICATION. All actions not inconsistent with the provisions**
29 **of this Ordinance previously taken by the Council and the officials of the City**
30 **directed toward approval of the Plan and the issuance and sale of the Bonds be**
31 **approved and the same hereby are ratified, approved and confirmed.**

1 **Section 2. FINDINGS.** *The Council, after a public hearing held upon proper*
2 *notice, hereby declares that it has considered all relevant information presented to*
3 *it relating to the Plan and the Bonds and hereby finds and determines that approval*
4 *of the Plan and the issuance of the Bonds pursuant to this Ordinance to provide*
5 *funds for the Project are necessary and advisable and in the interest of and will*
6 *promote the public health, safety, morals, convenience, education, economy and*
7 *welfare of the City and the residents of the City. The Council finds that:*

8 (1) *The Plan and the proposed activities under the Plan will*
9 *aid in the elimination or prevention of slum or blight; and*

10 (2) *The Plan conforms to the general plan for the City as a*
11 *whole;*

12 (3) *The Plan affords maximum opportunity consistent with*
13 *the needs of the community for the rehabilitation or redevelopment of the area by*
14 *private enterprise or persons, and the objectives of the Plan justify the proposed*
15 *activities as public purposes and needs;*

16 (4) *The Bonds will be issued for the purpose of financing the*
17 *Project;*

18 (5) *The aggregate face amount of obligations to be issued*
19 *with respect to financing the Project is not to exceed \$12,000,000;*

20 (6) *The developer of the Project property is the Company;*
21 *and*

22 (7) *The Project property is located on the northwest corner*
23 *of Lomas Boulevard and I-25 within the Martineztown/Santa Barbara Metropolitan*
24 *Redevelopment Area.*

25 **Section 3. THE PROJECT.** *The City shall acquire the Project for the*
26 *purposes hereinabove described, and the Project shall be located at all times within*
27 *the corporate limits of the City and within the Martineztown/Santa Barbara*
28 *Metropolitan Redevelopment Area.*

29 **Section 4. THE PLAN-APPROVAL.** *The Plan in the form on deposit in the*
30 *office of the City Clerk is hereby approved in all respects.*

31 **Section 6. BONDS - APPROVAL, AUTHORIZATION AND DETAIL.**

1 A. *Approval and Sale. The issuance of the Bonds in an aggregate*
2 *principal amount not to exceed \$12,000,000 and the use of the proceeds of the*
3 *Bonds to finance a portion of the costs of the Project, including payment of*
4 *expenses relating thereto, are hereby approved and confirmed.*

5 B. *Form and Terms. Subject to the limitations set forth in this*
6 *Ordinance, the Bonds shall (i) be in the form and denominations and shall be*
7 *numbered and dated as set forth in the Indenture; (ii) be payable as to principal and*
8 *interest as set forth in the Indenture; and (iii) bear interest at the rates and*
9 *maturing on the date set forth in the Indenture.*

10 C. *Execution. The Bonds shall be signed by the Mayor or Chief*
11 *Administrative Officer of the City of Albuquerque, New Mexico.*

12 D. *The interest rate and net effective interest rate on the Bonds*
13 *shall not exceed 10% per annum.*

14 Section 7. *AUTHORIZATION OF OFFICERS; APPROVAL OF DOCUMENTS;*
15 *ACTIONS TO BE TAKEN. The form, terms and provisions of the Bond Documents*
16 *in the form on deposit in the office of the City Clerk are in all respects approved,*
17 *authorized and confirmed.*

18 *The Mayor or Chief Administrative Officer of the City is authorized to*
19 *execute and deliver in the name and on behalf of the City, and the City Clerk or*
20 *Deputy City Clerk is hereby authorized to attest, as necessary, the Bond*
21 *Documents and the Bonds with such changes therein as are not inconsistent with*
22 *this Ordinance.*

23 *The Mayor, Chief Administrative Officer, Treasurer and City Clerk are further*
24 *authorized to execute, authenticate and deliver such certifications, instruments,*
25 *documents, letters and other agreements and to do such other acts and things,*
26 *either prior to or after the date of delivery of the Bonds, as are necessary or*
27 *appropriate to consummate the transactions contemplated by the Bond Documents*
28 *and the Plan.*

29 *The officers of the City shall take such action as is necessary to effectuate*
30 *the provisions of the Indenture and shall take such action as is necessary in*
31 *conformity with the Act to finance the costs of the Project and for carrying out*

1 other transactions as contemplated by this Ordinance, the Indenture, the Lease,
2 and the Bond Purchase Agreement, including, without limitation, the execution and
3 delivery of any closing documents to be delivered in connection with the sale and
4 delivery of the Bonds.

5 Section 8. DELIVERY OF BONDS. Upon the execution of the Bond
6 Documents, the satisfaction of the conditions set forth in the Bond Documents and
7 upon receipt of the purchase price for the Bonds, the Bonds shall be executed,
8 authenticated and delivered to the Purchaser. No Bond shall be valid for any
9 purpose until such Bond has been properly authenticated as set forth in the
10 Indenture.

11 Section 9. FUNDS AND ACCOUNTS. There are established in the
12 Indenture, and on and after the date on which the Bonds are issued there shall be
13 maintained, the funds and accounts as set forth in the Indenture. Other funds and
14 accounts may be established as are necessary under the Indenture.

15 Section 10. FINDINGS REGARDING PROPERTY TAX ABATEMENT;
16 PAYMENT OF INTEREST AND PRINCIPAL AND OTHER MATTERS. The following
17 determinations and waivers are made:

18 A. It shall not be necessary to deposit any amount in a debt
19 service reserve fund or a repair and replacement reserve fund for the maintenance
20 of the Project property.

21 B. The Lease requires that the Company maintain the Project
22 property in good repair and condition (excepting reasonable wear and tear) and
23 carry all proper insurance with respect to the Project property.

24 C. The Lease requires the Company to make payments sufficient
25 to pay the principal of, premium, if any, and interest on the Bonds as principal and
26 interest become due and to make all payments of or relating to the Project property
27 as they become due.

28 D. In accordance with Section 7-36-3.1, NMSA 1978, as amended
29 and supplemented, the Project property shall be exempt from property taxation on
30 the improvements for the shorter of the period of time the Bonds remain

1 outstanding or December 31, 2011 (the year in which the seventh anniversary of
2 the acquisition of the Project property by the City will occur).

3 E. The maximum amount necessary in each year to pay the
4 principal of and interest on the Bonds, assuming issuance of the Bonds as of
5 December 1, 2004, in the maximum principal amount of \$12,000,000 and bearing
6 interest at a maximum rate of 10%, is as follows:

<u>Year Ending</u>	<u>Combined Total Principal and Interest Payment</u>
December 31, 2004	\$0.00
December 31, 2005	\$2,240,787.00
December 31, 2006	\$2,240,787.00
December 31, 2007	\$2,240,787.00
December 31, 2008	\$2,240,787.00
December 31, 2009	\$2,240,787.00
December 31, 2010	\$2,240,787.00
December 31, 2011	\$2,240,788.00

18 Section 11. LIMITED OBLIGATIONS. The Bonds shall be special limited
19 obligations of the City, payable solely from the revenues derived from the Lease
20 and payable by the Company as described in the Indenture and any other property
21 or interest of the City specifically pledged under the Indenture, and shall never
22 constitute a debt or indebtedness of the City or the State or any political
23 subdivision thereof within the meaning of any provision or limitation of the State
24 Constitution, statutes or home-rule charter of the City, and shall not constitute or
25 give rise to a pecuniary liability of the City or a charge against its general credit or
26 taxing power. Nothing contained in the Ordinance or in the Bond Documents or
27 any other instrument shall be construed as obligating the City (except with respect
28 to the Project property and the application of the revenues therefrom and the
29 proceeds of the Bonds, all as provided in the Bond Documents), nor as incurring a
30 pecuniary liability or a charge upon the general credit of the City or against its
31 taxing power, nor shall the breach of any agreement contained in the Ordinance,
32 the Bond Documents, the Bonds or any other instrument be construed as obligating

1 the City (except with respect to the Project property and the application of the
2 revenues therefrom and the proceeds of the Bonds, all as provided in the Bond
3 Documents), nor as incurring a pecuniary liability or a charge upon the general
4 credit of the City or against its taxing power, the City having no power to pay out
5 of its general funds, or otherwise contribute any part of the costs of constructing
6 or furnishing the Project property.

7 **Section 12. APPROVAL OF INDEMNIFICATION.** The Council specifically
8 approves the provisions of the Lease relating to indemnification which provide that
9 the Company shall indemnify and hold harmless the City and its City Councilors,
10 officials, members, officers, employees and agents against liability to the
11 Company, or to any third parties that may be asserted against the City or its City
12 Councilors, officials, members, officers, employees or agents with respect to the
13 City's ownership of the Project property or the issuance of the Bonds and arising
14 from the condition of the Project property or the acquisition, construction and
15 operation of the Project property by the Company, except to the extent Section
16 56-7-1, New Mexico Statutes Annotated, 1978 Compilation, applies, and except
17 claims for any loss or damage arising out of or resulting from the gross negligence
18 or willful misconduct of the City or any member, officer, employee or agent of the
19 City.

20 **Section 13. ORDINANCE IRREPEALABLE.** After any of the Bonds are
21 issued, this Ordinance shall be and remain irrepealable until the Bonds, including
22 interest, are fully paid, canceled and discharged.

23 **Section 14. REPEALER.** All bylaws, orders, resolutions and ordinances, or
24 parts thereof, inconsistent with this Ordinance are repealed by this Ordinance but
25 only to the extent of that inconsistency. This repealer shall not be construed to
26 revive any bylaw, order, resolution or ordinance, or part thereof, previously
27 repealed.

28 **Section 15. SEVERABILITY.** If any section, paragraph, clause or provision
29 of this Ordinance shall for any reason be held to be invalid or unenforceable, the
30 invalidity or unenforceability of that section, paragraph, clause or provision shall
31 not affect any of the remaining provisions of this Ordinance.

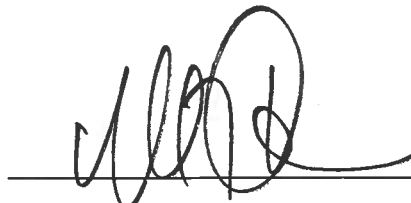
1 **Section 16. RECORDING; AUTHENTICATION; PUBLICATION; EFFECTIVE**
2 **DATE. This Ordinance, immediately upon its final passage and approval, shall be**
3 **recorded in the Ordinance book of the City, kept for that purpose, and shall be**
4 **there authenticated by the signature of the Mayor and the presiding officer of the**
5 **City Council, and by the signature of the City Clerk or any Deputy City Clerk, and**
6 **notice of adoption thereof shall be published once in a newspaper which maintains**
7 **an office in, and is of general circulation in, the City, and shall be in full force and**
8 **effect five days following such publication.**

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15

1 PASSED AND ADOPTED THIS 15th DAY OF November, 2004
2 BY A VOTE OF: 7 FOR 1 AGAINST.

3
4 No: Gomez

5 Excused: Cummins
6

7
8
9 

10 Michael Cadigan, President
11 City Council
12

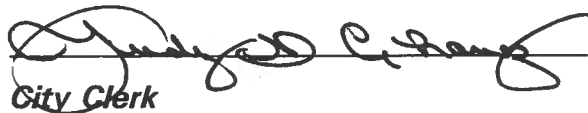
13
14 APPROVED THIS 13th DAY OF December, 2004
15

16
17 Bill No. O-04-73

18
19 

20 Martin J. Chavez, Mayor
21 City of Albuquerque
22

23 ATTEST:

24
25 
26 City Clerk

Application for Industrial Revenue or Metropolitan Redevelopment Bond Project Approval

Name of Project: John Q. Hammons Industries – Embassy Suites
Location of Project: 100 Woodward Place NE
Albuquerque, New Mexico

0-04-73

Developer: John Q. Hammons

Contact Person: John Q. Hammons

Address: 300 John Q. Hammons Pkwy, Suite 900
Springfield, MO 65806

Telephone: (417) 864-4300

Bond Counsel or Lawyer: Duane E. Brown of Modrall, Sperling, Roehl, Harris &
Sisk, P.A.

Address: 500 Fourth Street, N.W.; P. O. Box 2168
Albuquerque, New Mexico 87103-2168

Telephone: (505) 848-1800

Type of Bonds: IDB ☒ MRB ☐ Other ☐

If MRB, Metropolitan Redevelopment Area: N/A

Bond Amount Requested: \$41,000,000

Fee submitted: \$2,500.00

____ FOR STAFF USE _____

Planner Assigned:

Case Number:

Fee Received (note amount)

ADC Hearing Date:

Council Dates (Tentative): Introduction

EDGO Committee

Council Hearing

87-40-0

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IRB-2002
John Q. Hammons Industries
Embassy Suites Plan



John Q. Hammons
INDUSTRIES

Preface:

This Plan is being submitted to the Development Commission of the City of Albuquerque (the "City") for review in connection with consideration by the City Council of an Inducement Resolution for Industrial Revenue Bonds in accordance with Council Ordinance 12-1985 and Resolution 16-1985. Pursuant to those Council actions, this is the first step towards the issuance of bonds pursuant to the Industrial Revenue Bond Act (Sections 3-32-1 to 3-32-16 NMSA 1978, as amended).

This Plan contains the information required by City Council Resolution 16-1985 and conforms with and compliments the policies established for the issuance of Bonds pursuant to that Council action.

The purpose of this Plan is to identify the project area and to present the plan and the uses to which the proceeds of the Bonds will be put, if issued. This Plan is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The developer and its agent will endeavor to provide the City any additional information reasonably requested.

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I. GENERAL DESCRIPTION

The proposed facility is a 9-story world-class Embassy Suites hotel with 261 guest rooms and suites, conference center, restaurant, lounge, indoor pool and fitness room (the "Project"). The Project will be privately owned by Mr. John Q. Hammons through his Revocable Trust and managed by John Q. Hammons Hotels, L.P., limited partner of John Q. Hammons Hotel, Inc. Mr. Hammons is the Founder, Chairman and CEO of John Q. Hammons Hotels, Inc. He is requesting the City issue up to, but not exceed, \$41,000,000 of its Industrial Revenue Bonds to pay a portion of the costs associated with the Project. He will personally guarantee the bonds and is requesting 20 years of tax abatement with a 50% payment in lieu of tax in the years 11-20.

An architect's rendering of the proposed Project is included as **Exhibit A**.

II. SITE AND EXISTING CONDITIONS

A. Legal Description

The proposed site of the Project (as more specifically described below) is located at 100 Woodward Place NE and consists of a parcel of approximately 9.35 acres described as follows:

Tracts B and C; Gateway Subdivision, totaling approximately 9.35 acres

(the "Project Site")

B. Prevailing Conditions

The Project Site is currently vacant land.

C. Present Assessed Value

The present assessed value of the Project Site is \$1,064,527.

D. Present and Proposed Zoning

The present zoning of the Project Site is SU-2, C-3. JQH (hereinafter defined) does not believe there will be a need for any additional zoning change to accommodate the development of the Project.

III. THE PROJECT PLAN

A. Information Concerning:

THE DEVELOPER

The developer of the Project is John Q. Hammons, Founder, Chairman and CEO of John Q. Hammons Hotels, Inc. (based in Springfield, Missouri). A native Missourian, Mr. Hammons grew up during the Great Depression on a farm near Joplin. He attended Southwest Missouri State University (SMSU) in Springfield, Missouri, and began his professional career as a junior high school teacher in Cassville, Missouri.

Following two years construction experience on the Alaska Highway and service in the U.S. military, Mr. Hammons recognized that G.I.'s returning from World War II would need quality housing in which to raise their families. He began building the first suburban housing in Springfield in the late 1940's and established a number of real estate ventures, including housing tracts, apartment complexes and shopping centers.

Mr. Hammons entered the hotel industry in 1958 and joined with Roy E. Winegardner to purchase 10 Holiday Inn franchises from founder Kemmons Wilson. Winegardner & Hammons Incorporated of Cincinnati, Ohio, a hotel development company (WHI), was formed in 1959. By the late 1960's, WHI had constructed 33 Holiday Inn hotels. Mr. Hammons formed JQH (hereinafter) in 1969.

Both JQH and WHI rank among the largest hotel development companies in the United States. Collectively, JQH and WHI currently own, operate or manage over 90 hotels in 38 states. John Q. Hammons' facilities have always been recognized among the leaders in the industry in terms of quality of design, management and guest satisfaction.

Mr. Hammons and his wife, Juanita, live in Springfield and are active in the community, funding the Hammons Heart Institute and Hammons Life Line Helicopter for St. John's Regional Health Center, the Hammons Student Center, Hammons Fountains, Hammons House Dormitories and Juanita K. Hammons Hall for the Performing Arts at SMSU, and the Hammons School of Architecture at Drury University. Mr. Hammons is the founder and builder of the University Development in Springfield consisting of hotels, convention centers, office buildings and a new 10,000-seat baseball park.

For 40 years, Mr. Hammons has been a leading innovator in the lodging industry. He is well known for his shrewd market analysis and for creating signature-style, full-service hotels featuring atrium lobbies, expansive meeting and convention space, large guest rooms, podium check-in stations and complete business traveler

amenities. Over the years, Mr. Hammons has developed 145 hotel properties in 40 states.

The personal financial statements for John Q. and Juanita K. Hammons for the calendar year are included as **Exhibit B**.

THE MANAGER

John Q. Hammons Hotels, Inc. and its subsidiaries (collectively "JQH") own and manage a growing nationwide portfolio of lodging, convention and recreational facilities, including the Crowne Plaza in Albuquerque which has provided JQH a unique insight into the needs of the Albuquerque market. JQH is a leading independent owner, manager and developer of affordable, upscale hotels in market-driven locations. JQH currently owns 47 hotels located in 21 states, consisting of 11,633 guest rooms and suites and manages 9 hotels located in 5 states, consisting of 2,078 guest rooms (collectively the "JQH Hotels"). The JQH Hotels operate primarily under the Embassy Suites and Holiday Inn trade names. In addition, JQH owns and/or manages other reputable brands throughout the country, including Marriott, Radisson, Renaissance, Sheraton, as well as its own signature Plaza brand (encompassing 1.6 million square feet of meeting and convention space). John Q. Hammons Hotels, Inc. is traded on the American Stock Exchange under the symbol "JQH".

Most of the JQH Hotels are near a state capitol, university, airport or corporate headquarters, plant or other major facility and generally serve markets with populations of up to 300,000 people (or larger populations in the case of airport markets and many of the markets in which JQH has developed new hotels over the past several years).

JQH's strong performance, beating all industry standards in terms of rate, occupancy, and guest satisfaction, reflects a long-term commitment to all of its properties. JQH places strong emphasis on quality, maintenance and ongoing refurbishment – standards that keep JQH Hotels among the leaders in the hospitality industry.

JQH's corporate operations and development teams are made up of professionals in the field of finance, system analysts, architecture and design, purchasing, sales and marketing, and food and beverage, as well as a network of regional vice presidents in the field which monitor productivity and performance at each hotel facility.

Management of JQH Hotels is coordinated from JQH headquarters by its senior management team. Six regional vice presidents are responsible for supervising a group of hotel general managers in day-to-day operations. Centralized management services and functions include sales and marketing, purchasing,

financial controls, architecture and design, human resources, legal and hotel operations.

While many other hospitality companies floundered or failed during the recent economic downturn JQH Hotels have prospered in part because of financial stability and solid capital resources.

Because of financial stability, JQH Hotels are regularly pursued by a number of cities in an effort to entice JQH to invest in the their market in an effort to assist those cities in capitalizing on their convention capabilities.

JQH currently owns and/or manages the following hotels:

Embassy Suites

Charleston, West Virginia
Columbia, South Carolina
Dallas (DFW North), Texas
Des Moines, Iowa
Franklin (Nashville South), Tennessee *
Greensboro, North Carolina
Greenville, South Carolina
Kansas City (International Airport),
Missouri
Lincoln, Nebraska *
Little Rock, Arkansas
Montgomery, Alabama
North Charleston, South Carolina
Omaha, Nebraska
Portland (Airport), Oregon
Raleigh/Durham, North Carolina
Seaside (Monterey Bay), California
Tampa, Florida

Hampton Inn & Suites

Mesquite, Texas
Springdale, Arkansas

Homewood Suites

Greensboro, North Carolina
Kansas City (International Airport),
Missouri

Resorts

Chateau on the Lake, Branson, Missouri
World Golf Village Renaissance Resort,
St. Augustine, Florida

Sheraton

Sioux Falls, South Dakota *

Radisson

Davenport, Iowa

Marriott

Coral Springs, Florida
Houston (Hobby Airport), Texas
Madison, Wisconsin
Tucson, Arizona

Crowne Plaza

Albuquerque, New Mexico

Holiday Inn

Bakersfield, California (Holiday Inn Select)
Beaumont, Texas
Denver (International Airport), Colorado
Denver (Northglenn), Colorado
Emeryville (Bay Bridge), California
Fort Collins, Colorado
Joplin, Missouri
Portland (International Airport), Oregon
Rapid City, South Dakota *
Reno, Nevada
Sacramento, California
Sioux Falls, South Dakota *
Springdale, Arkansas
Springfield (North), Missouri
Springfield (University Plaza), Missouri *
Tucson (International Airport), Arizona
University Plaza, Bowling Green, Kentucky

West Des Moines, Iowa

Independents

Collins Plaza, Cedar Rapids, Iowa
Capitol Plaza, Jefferson City, Missouri
Capitol Plaza, Topeka, Kansas

Courtyard by Marriott

Springfield, Missouri *

Residence Inn by Marriott

Springfield, Missouri *

Renaissance

Charlotte, North Carolina
Oklahoma City, Oklahoma
Richardson (Dallas), Texas *

* Managed Hotel

The Annual Report and consolidated financial statements for JQH for the fiscal year 2001 are included as **Exhibit C**.

B. Information Concerning JQH Services

Generally, JQH Hotels are designed to appeal to a broad range of hotel customers, including frequent business travelers, groups and conventions, as well as leisure travelers. Each JQH Hotel is individually designed by JQH, and most contain an impressive multi-storied atrium, with water features and lush flora, expansive meeting space, large guest rooms or suites and comfortable lounge areas. JQH believes that these design features enhance guest comfort and safety and increase the value perceived by the guest. Embassy Suites JQH Hotels are all-suite hotels which appeal to the traveler needing or desiring greater space and specialized services. JQH determines which brand of hotel to develop depending upon the demographics of the market to be served. JQH builds upon the reputation of the brand name by setting higher standards of excellence than the brands themselves require.

C. Competition

Generally, JQH Hotels compete in their market area primarily with full service lodging brands in the upscale market, and with to a much lesser extent with other hotels, motels and other lodging establishments. Chains such as Sheraton Inns, Marriott Hotels, Ramada Inns, Radisson Inns, Comfort Inns, Hilton Hotels and Doubletree/Red Lion Inns are competitors of JQH Hotels in some markets. There is, however, no single competitor or group of competitors of the JQH Hotels that is consistently located nearby and competing with most of the JQH Hotels. In fact, JQH hotels frequently enjoy and many times create the necessary synergy for convention business that can serve to benefit its competitors. Competitors situated in Albuquerque offering comparable services would include the Hyatt, Hilton, Wyndham, Sheraton, Doubletree, Radisson, Crowne Plaza Pyramid (a JQH Hotel), as well as Residence Inn, Courtyard by Marriott, Ramada Limited and Candlewood Suites. Yahoo Travelocity currently lists 118 hotels in Albuquerque.

D. Effect on Existing Industry and Commerce during and after Construction

The Project will require the construction of a substantial new building containing an impressive multi-storied atrium, with water features and lush flora, expansive meeting space, large guest rooms or suites and comfortable lounge areas. The construction will employ an estimated 800 carpenters, iron workers, ceiling installers, electricians and plumbers, during the estimated 16 month construction period.

Almost all subcontractors and construction workers used for the construction of the facility are expected to be local. The majority of the construction materials are expected to be purchased from local suppliers. Ninety-nine percent (99%) of the 175 employees to be employed at the site after completion are expected to be hired from the local labor pool.

JQH intends to purchase as many goods and services as are practicable from the local business community. The local area will receive additional economic benefits in the form of taxes and gross receipts taxes paid by JQH employees and guests in addition to an increase in the applicable lodging tax. JQH's presence in Albuquerque will increase the number of downtown hotel rooms and aid in the Albuquerque Convention Center's ability to "rebook" clients.

E. Land Acquisition

The land is currently owned by JQH.

F. Description of Proposed Development

The Project consists of approximately 282,299 square feet to be constructed on approximately 9.35 acres of land (included as **Exhibit D** is a site plan showing the footprint of the proposed building and the parking, together with preliminary building plans as **Exhibit E**).

G. Infrastructure

Comfortably located along I-25, it is not expected that any additions to, or modifications of, streets or utility lines will be needed for construction and installation of the Project. If any additions or modifications are required to either streets or utilities, including sewer and water, curb and gutter etc., the related costs will be included as part of the construction costs of the Project Site.

H. Relocation of Individuals or Businesses

No individuals, families or businesses will be displaced as a result of this Project.

I. Number and Type of Jobs Created

175 miscellaneous management and service jobs. JQH anticipates 17 salaried (management) employees at an average yearly income of \$48,000 totaling \$816,000 per year and an estimated 158 hourly (service) employees at an average hourly rate of \$8.50 totaling \$2,793,440 per year for a grand total in wages of \$3,609,440 annually. Although difficult to estimate, the above figures presume a full-time equivalency. Optional employee benefits include life insurance, disability, health and dental for full-time employees.

J. Number of Jobs to be Filled by Residents of the City

99% of the jobs are expected to be filled by residents of the City.

K. Management

The Embassy Suites will be managed by John Q. Hammons Hotels, L.P., limited partner of John Q. Hammons Hotel, Inc. The following is a biographical summary of the experience of the executive officers and other key officers of JQH.

John Q. Hammons is the Chairman, Chief Executive Officer and founder of JQH. Mr. Hammons has been actively engaged in the development, management and acquisition of hotel properties since 1959. From 1959 through 1969, Mr. Hammons and a business partner developed 34 Holiday Inn franchises, 23 of which were sold in 1969 to Holiday Inns, Inc. Since 1969, Mr. Hammons has developed 88 hotels on a nationwide basis, primarily under the Holiday Inn and Embassy Suites trade names.

Lou Weckstein is President of JQH. Prior to joining JQH in September 2001, Mr. Weckstein served for ten years as Senior Vice President, Hotel Operations, for Windsor Capital Group, a Los Angeles-based hotel management and development company. Prior to Windsor Capital Group, Mr. Weckstein served eight years as Vice President of Operations for Embassy Suites, Inc. Over his career, Mr. Weckstein spent numerous years as Vice President-Operations for Ramada Inns, Inc. and Vice President-Operations for Sheraton Inns, Inc. He began his career in the hospitality industry as a hotel manager in Cleveland, Ohio.

Paul E. Muellner is Chief Financial Officer of JQH. Prior to joining JQH in June of 1998, Mr. Muellner was Vice President of Finance for Carnival Hotels. He also served as Operations Controller at Omni Hotels as well as positions with Red Lion Inns and Marriott Corporation.

Debra M. Shantz is General Counsel of JQH. She joined JQH in May 1995. Prior thereto, Ms. Shantz was a partner of Farrington & Curtis, P.C. (now Husch & Eppenberger, LLC), a law firm which serves as Mr. Hammons' primary outside

counsel, where she practiced primarily in the area of real estate law. Ms. Shantz had been with that firm since 1988.

Pat A. Shivers is Senior Vice President and Corporate Controller of JQH. He has been active in Mr. Hammons' hotel operations since 1985. Prior thereto, he had served as Vice President of Product Management in Winegardner & Hammons, Inc., a hotel management company.

Steven E. Minton is Senior Vice President, Architecture, of JQH. He has been active in Mr. Hammons' hotel operations since 1985. Prior to that time, Mr. Minton was a project manager with the firm of Pellham and Phillips working on various John Q. Hammons projects.

Jacqueline A. Dowdy has been the Secretary and a director of JQH since 1989. She has been active in Mr. Hammons' hotel operations since 1981. She is an officer of several affiliates of JQH.

L. Scott Tarwater is Vice President, Sales and Marketing, of JQH. He joined JQH in September 2000 from Windsor Capital Group, in Los Angeles, California, where he served as Senior Vice President, Sales and Marketing, for ten years. Prior to that time, Mr. Tarwater served as Senior Director, Sales and Marketing, for Embassy Suites, Inc., Irving, Texas.

John D. Fulton is Vice President, Interior Design, of JQH. He joined JQH in 1989 from Integra/Brock Hotel Corporation, Dallas, Texas, where he had been Director of Design and Purchasing for ten years.

Kent S. Foster is Vice President, Human Resources, of JQH. He joined JQH in 1999 from Dayco Products, Inc. in Michigan where he served as Director and Manager, Human Resources. Prior thereto, Mr. Foster served as Assistant Vice President and Director, Human Resources, for Great Southern Savings & Loan Association, Springfield, Missouri.

William T. George, Jr., is Vice President, Capital Planning and Asset Management, of JQH. He joined JQH in 1994 from Promus Hotel Corporation, where he had been Director of Capital Refurbishment.

Vito Palmietto is Corporate Director, Food & Beverage, of JQH. He joined JQH in 1995 bringing experience from various Holiday Inn, Wyndham and Marriott properties. Mr. Palmietto served as Executive Chef and/or Assistant General Manager, Food & Beverage, at multiple JQH properties before joining the corporate team in March of 2001.

IV. **PROJECT FINANCING**

A. Cost of Improvements, Bond Amount and Private Financing

<u>Sources of Funds</u>	
Bonds	\$41,000,000
Funds of JQH/John Q. Hammons	<u>5,800,000</u>
Total	\$46,800,000

<u>Uses of Funds</u>	
Land	\$3,700,000
Fees	1,900,000
GC	26,900,000
Furniture, Fixtures & Equipment	8,700,000
Soft	<u>5,600,000</u>
Total	\$46,800,000

B. Estimated Value after Completion

\$46,800,000

C. Feasibility

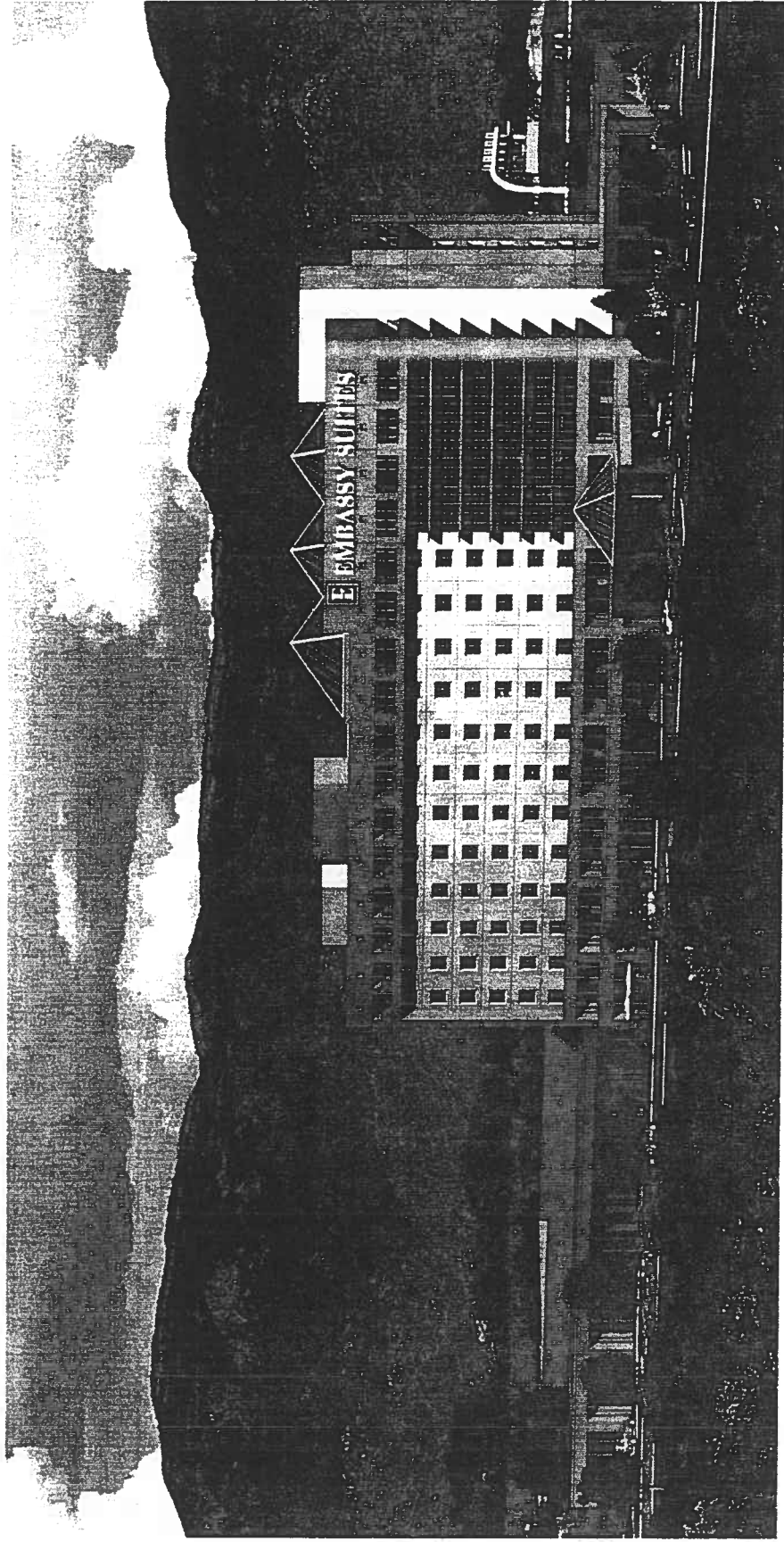
A complete *pro forma* of operations for the Project for the first ten years is attached hereto as **Exhibit F**.

D. Construction Schedule

Construction is expected to start on or about November 1, 2002 and be completed on or about March, 2004.

E. Issuance of Bonds

It is expected that the Bonds will be issued in December, 2002.



Embassy Suites Hotel & Conference Center
Albuquerque, New Mexico

John Q. and Juanita K. Hammons

Accountants' Compilation Report and Financial Statement

December 31, 2001





Hammons Tower
901 E. St. Louis Street, Suite 1000
P.O. Box 1190
Springfield, MO 65801-1190
417 865-8701 Fax 417 865-0682

1034 W. Main Street
P.O. Box 1277
Branson, MO 65615-1277
417 334-5165 Fax 417 334-4823

bkd.com

John Q. and Juanita K. Hammons
Springfield, Missouri

We have compiled the accompanying statement of financial condition and schedules of John Q. and Juanita K. Hammons as of December 31, 2001, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a financial statement information that is the representation of the individuals whose financial statement is presented. We have not audited or reviewed the accompanying financial statement and schedules and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of a departure from generally accepted accounting principles that is described in the following paragraph.

Generally accepted accounting principles require that personal financial statements include a provision for estimated income taxes on the excess of estimated current values of assets over their tax bases plus estimated liabilities. The accompanying financial statement does not include such a provision, and the estimated effect of this departure from generally accepted accounting principles is described in *Note 8* to the statement of financial condition.

BKD, LLP

April 10, 2002

Solutions
for
Success

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri

December 31, 2001
Statement of Financial Condition

Assets

Current Assets

Cash and cash equivalents	\$ 40,621,896
Accounts and notes receivable	9,438,559
Prepaid expenses and other	<u>6,143,339</u>

Total current assets	<u>56,203,794</u>
----------------------	-------------------

Investments

Investment in John Q. Hammons Hotels, Inc. and in John Q. Hammons Hotels, L.P.	390,000,000
Investment in closely held corporations – Group I (over 50% owned)	88,702,850
Investment in closely held corporations – Group II (50% owned or less)	30,018,500
Investment in partnerships	30,100,000
Marketable securities	9,445,774
Investment in First Clermont Bank	33,000,000
Investment in Harrah's Casinos (20%) (Northern Star and Southern Star)	<u>206,800,000</u>
	<u>788,067,124</u>

Property and Equipment

Land and developments	203,897,400
Hotels – privately owned	289,573,441
Trade centers	<u>22,420,000</u>

515,890,841

Other Assets

626,526

\$ 1,360,788,285

Liabilities and Net Worth

Current Liabilities

Notes payable, unsecured	\$ 21,367,197
Current maturities of long-term debt	
Hotels	28,988,016
Other	11,482,222
Accounts payable and accrued expenses	<u>17,009,125</u>
 Total current liabilities	 <u>78,846,560</u>

Long-Term Debt

Notes payable, unsecured	12,395,831
Hotels – other	137,431,483
Trade centers	1,623,174
Land	42,647,013
Closely held corporations	21,176,113
Partnerships	10,410,110
Harrah's Casinos	<u>11,408,859</u>
	 <u>237,092,583</u>

Minority Interest	<u>17,013,764</u>
--------------------------	-------------------

Net Worth	<u>1,027,835,378</u>
------------------	----------------------

\$ 1,360,788,285

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
December 31, 2001
Statement of Financial Condition
Combining Schedule

Assets

	Total	Hotels Publicly Traded Controlling Interest
Current Assets		
Cash and cash equivalents	\$ 40,621,896	\$ —
Accounts and notes receivable	9,438,559	—
Prepaid expenses and other	<u>6,143,339</u>	<u>—</u>
Total current assets	56,203,794	—
Investments		
Investment in John Q. Hammons Hotels, Inc. and John Q. Hammons Hotels, L.P.	390,000,000	390,000,000
John Q. Hammons Hotels, Inc. 269,100 shares Class A common shares 294,100 shares Class B common shares Publicly Traded on NYSE Annual Report Attached		
John Q. Hammons Hotels, L.P. 16,043,900 Partnership Units		
Investment in closely held corporations Group I (over 50% owned)	88,702,850	—
Investment in closely held corporations Group II (50% owned or less)	30,018,500	—
Investment in partnerships	30,100,000	—
Marketable securities	9,445,774	—
Investment in First Clermont Bank (valued at 1.6 times book value)	33,000,000	—
Investment in Harrah's Casinos (20%) (Northern Star and Southern Star)	206,800,000	—
Property & Equipment		
Land and developments	203,897,400	—
Hotels – privately owned	289,573,441	—
Trade centers	22,420,000	—
Other Assets	<u>626,526</u>	<u>—</u>
	<u>\$ 1,360,788,285</u>	<u>\$ 390,000,000</u>

See Accountants' Compilation Report and Notes to Statement of Financial Condition

Hotels Privately Owned Schedule I	Trade Centers Schedule II	Closely Held Corporations Schedules III & IV	Partnerships Schedule V	Land and Developments Schedule VI	All Other
\$ 10,350,165	\$ —	\$ 2,779,824	\$ 93,592	\$ —	\$ 27,398,315
4,191,074	—	510,544	570	—	4,736,371
<u>486,369</u>	<u>—</u>	<u>559,973</u>	<u>122,021</u>	<u>—</u>	<u>4,974,976</u>
15,027,608	—	3,850,341	216,183	—	37,109,662
—	—	—	—	—	—
—	—	88,702,850	—	—	—
—	—	30,018,500	—	—	—
—	—	—	30,100,000	—	—
—	—	—	—	—	9,445,774
—	—	—	—	—	33,000,000
—	—	—	—	—	206,800,000
—	—	—	—	203,897,400	—
289,573,441	—	—	—	—	—
—	22,420,000	—	—	—	—
<u>626,526</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 305,227,575</u>	<u>\$ 22,420,000</u>	<u>\$ 122,571,691</u>	<u>\$ 30,316,183</u>	<u>\$ 203,897,400</u>	<u>\$ 286,355,436</u>

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
December 31, 2001
Statement of Financial Condition
Combining Schedule

Liabilities and Net Worth

	Total	Hotels Publicly Traded Controlling Interest
Current Liabilities		
Notes payable, unsecured	\$ 21,367,197	\$ —
Current maturities of long-term debt		
Hotels	28,988,016	—
Other	11,482,222	—
Accounts payable and accrued expenses	<u>17,009,125</u>	<u>—</u>
Total current liabilities	<u>78,846,560</u>	<u>—</u>
Long-Term Debt		
Notes payable, unsecured	12,395,831	—
Hotels — other	137,431,483	—
Trade centers	1,623,174	—
Land	42,647,013	—
Closely held corporations	21,176,113	—
Partnerships	10,410,110	—
Harrah's Casinos	<u>11,408,859</u>	<u>—</u>
Total Long-Term Debt	<u>237,092,583</u>	<u>—</u>
Minority Interest	<u>17,013,764</u>	<u>—</u>
Net Worth	<u>1,027,835,378</u>	<u>390,000,000</u>
	<u>\$ 1,360,788,285</u>	<u>\$ 390,000,000</u>

Hotels Privately Owned Schedule I	Trade Centers Schedule II	Closely Held Corporations Schedules III & IV	Partnerships Schedule V	Land and Developments Schedule VI	All Other
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 21,367,197
28,988,016	—	—	—	—	—
—	339,173	4,491,942	826,873	2,898,760	2,925,474
<u>14,966,826</u>	<u>—</u>	<u>1,317,333</u>	<u>724,966</u>	<u>—</u>	<u>—</u>
<u>43,954,842</u>	<u>339,173</u>	<u>5,809,275</u>	<u>1,551,839</u>	<u>2,898,760</u>	<u>24,292,671</u>
—	—	—	—	—	12,395,831
137,431,483	—	—	—	—	—
—	1,623,174	—	—	—	—
—	—	—	—	42,647,013	—
—	—	21,176,113	—	—	—
—	—	—	10,410,110	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,408,859</u>
<u>137,431,483</u>	<u>1,623,174</u>	<u>21,176,113</u>	<u>10,410,110</u>	<u>42,647,013</u>	<u>23,804,690</u>
<u>11,263,063</u>	<u>—</u>	<u>5,665,352</u>	<u>85,349</u>	<u>—</u>	<u>—</u>
<u>112,578,187</u>	<u>20,457,653</u>	<u>89,920,951</u>	<u>18,268,885</u>	<u>158,351,627</u>	<u>238,258,075</u>
<u>\$ 305,227,575</u>	<u>\$ 22,420,000</u>	<u>\$ 122,571,691</u>	<u>\$ 30,316,183</u>	<u>\$ 203,897,400</u>	<u>\$ 286,355,436</u>

John Q. and Juanita K. Hammons
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Schedule I
Computation of Equities in Hotel Operations
At Fair Market Value

	Grand Total
Number of Rooms (13 hotels, 11 in service)	2,587
FMV - Fixed Assets	\$ <u>289,573,441</u>
Current Assets	
Cash	10,350,165
Accounts receivable	4,191,074
Prepaid and other	<u>486,369</u>
Total current assets	<u>15,027,608</u>
Other Assets	<u>626,526</u>
Total assets	<u>305,227,575</u>
Current Liabilities	
Current portion of long-term debt	(28,988,016)
Accounts payable	<u>(14,966,826)</u>
Total current liabilities	<u>(43,954,842)</u>
Long-Term Debt	<u>(137,431,483)</u>
Minority Interest	<u>(11,263,063)</u>
Value Carried in Net Worth	\$ <u>112,578,187</u>

John Q. and Juanita K. Hammons
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Schedule I

Computation of Equities in Hotel Operations
At Fair Market Value

	Holiday Inn University Plaza Springfield, Missouri	Marriott Courtyard Springfield, Missouri
Percent Owned	100%	100%
Number of Rooms	271	142
FMV - Per Room	\$98,500	\$98,750
FMV - Fixed Assets	<u>\$ 26,693,500</u>	<u>\$ 14,022,500</u>
Current Assets		
Cash	156,661	206,699
Accounts receivable	414,290	16,395
Prepaid and other	<u>103,292</u>	<u>18,347</u>
Total current assets	<u>674,243</u>	<u>241,441</u>
Other Assets	<u>—</u>	<u>39,194</u>
Total Assets	<u>27,367,743</u>	<u>14,303,135</u>
Current Liabilities		
Current portion of long-term debt	(510,771)	(217,272)
Accounts payable	<u>(1,599,559)</u>	<u>(1,799,492)</u>
Total current liabilities	<u>(2,110,330)</u>	<u>(2,016,764)</u>
Long-Term Debt	<u>(11,179,056)</u>	<u>(9,986,619)</u>
Minority Interest	<u>—</u>	<u>—</u>
Value Carried in Net Worth	<u>\$ 14,078,357</u>	<u>\$ 2,299,752</u>

John Q. and Juanita K. Hammons
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Schedule I

Computation of Equities in Hotel Operations
At Fair Market Value

	Holiday Inn Eastgate Cincinnati, Ohio	Holiday Inn Airport Corpus Christi, Texas
Percent Owned	90%	90%
Number of Rooms	247	250
FMV – Per Room	\$65,000	\$52,000
FMV – Fixed Assets	\$ <u>16,055,000</u>	\$ <u>13,000,000</u>
Current Assets		
Cash	1,379,177	159,842
Accounts receivable	62,479	196,137
Prepaid and other	<u>36,180</u>	<u>61,525</u>
Total current assets	<u>1,477,836</u>	<u>417,504</u>
Other Assets	<u>27,054</u>	<u>19,981</u>
Total Assets	<u>17,559,890</u>	<u>13,437,485</u>
Current Liabilities		
Current portion of long-term debt	(325,000)	(320,000)
Accounts payable	<u>(476,256)</u>	<u>(461,350)</u>
Total Current Liabilities	<u>(801,256)</u>	<u>(781,350)</u>
Long-Term Debt	<u>(5,820,000)</u>	<u>(4,880,000)</u>
Minority Interest	<u>(1,093,863)</u>	<u>(777,614)</u>
Value Carried in Net Worth	<u>\$ 9,844,771</u>	<u>\$ 6,998,521</u>

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Schedule I
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At Fair Market Value

	Rushmore Plaza Hotel & Convention Center Rapid City, South Dakota	Sioux Falls, South Dakota
Percent Owned	50%	100%
Number of Rooms	210	306
FMV - Per Room	\$86,000	\$84,500
FMV - Fixed Assets	\$ <u>18,060,000</u>	\$ <u>25,857,000</u>
Current Assets		
Cash	6,002,616	1,363,395
Accounts receivable	2,310,068	234,476
Prepaid and other	<u>30,685</u>	<u>35,854</u>
Total current assets	<u>8,343,369</u>	<u>1,633,725</u>
Other Assets	<u>69,739</u>	<u>21,345</u>
Total Assets	<u>26,473,108</u>	<u>27,512,070</u>
Current Liabilities		
Current portion of long-term debt	(250,000)	(360,438)
Accounts payable	<u>(574,936)</u>	<u>(598,383)</u>
Total current liabilities	<u>(824,936)</u>	<u>(958,821)</u>
Long-Term Debt	<u>(9,042,926)</u>	<u>(8,947,100)</u>
Minority Interest	<u>(9,391,586)</u>	<u>—</u>
Value Carried in Net Worth	\$ <u>7,213,660</u>	\$ <u>17,606,149</u>

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Schedule I
Computation of Equities in Hotel Operations
At Fair Market Value

	Sioux Falls Sheraton Sioux Falls, South Dakota	Lincoln Embassy Suites Lincoln, Nebraska
Percent Owned	100%	100%
Number of Rooms	184	255
FMV – Per Room	\$112,500	\$144,500
FMV – Fixed Assets	\$ <u>20,700,000</u>	\$ <u>36,847,500</u>
Current Assets		
Cash	273,543	390,009
Accounts receivable	220,623	170,335
Prepaid and other	<u>35,478</u>	<u>51,180</u>
Total current assets	<u>529,644</u>	<u>611,524</u>
Other Assets	<u>357,127</u>	<u>33,444</u>
Total Assets	<u>21,586,771</u>	<u>37,492,468</u>
Current Liabilities		
Current portion of long-term debt	(155,000)	(349,535)
Accounts payable	<u>(2,919,828)</u>	<u>(1,123,027)</u>
Total current liabilities	<u>(3,074,828)</u>	<u>(1,472,562)</u>
Long-Term Debt	<u>(13,536,239)</u>	<u>(25,540,011)</u>
Minority Interest	<u>—</u>	<u>—</u>
Value Carried in Net Worth	\$ <u>4,975,704</u>	\$ <u>10,479,895</u>

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Schedule I
Computation of Equities in Hotel Operations
At Fair Market Value

	Richardson Renaissance and Convention Center Richardson, Texas	Franklin Embassy Suites Franklin, Tennessee
Percent Owned	100%	100%
Number of Rooms	336	250
FMV - Per Room	156,000	164,000
FMV - Fixed Assets	\$ <u>52,416,000</u>	\$ <u>41,000,000</u>
Current Assets		
Cash	265,602	106,966
Accounts receivable	381,634	152,989
Prepaid and other	<u>50,953</u>	<u>39,145</u>
Total current assets	<u>698,189</u>	<u>299,100</u>
Other Assets	<u>29,904</u>	<u>27,539</u>
Total Assets	<u>53,144,093</u>	<u>41,326,639</u>
Current Liabilities		
Current portion of long-term debt	—	(26,500,000)
Accounts payable	<u>(3,105,027)</u>	<u>(1,840,390)</u>
Total current liabilities	<u>(3,105,027)</u>	<u>(28,340,390)</u>
Long-Term Debt	<u>(35,963,948)</u>	<u>—</u>
Minority Interest	<u>—</u>	<u>—</u>
Value Carried in Net Worth	\$ <u>14,075,118</u>	\$ <u>12,986,249</u>

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Schedule I
Computation of Equities in Hotel Operations
At Fair Market Value

	Renaissance Hotel Tulsa, Oklahoma	Residence Inn James River Freeway Springfield, Missouri
Percent Owned	100%	100%
Number of Rooms	—	136
FMV - Per Room	—	125,000
FMV - Fixed Assets	\$ <u>4,800,310</u>	\$ <u>17,000,000</u>
Current Assets		
Cash	—	45,655
Accounts receivable	—	31,648
Prepaid and other	—	23,730
Total current assets	<u>—</u>	<u>101,033</u>
Other Assets	<u>—</u>	<u>1,199</u>
Total Assets	<u>4,800,310</u>	<u>17,102,232</u>
Current Liabilities		
Current portion of long-term debt	—	—
Accounts payable	—	(468,578)
Total current liabilities	<u>—</u>	<u>(468,578)</u>
Long-Term Debt	<u>—</u>	<u>(10,800,000)</u>
Minority Interest	<u>—</u>	<u>—</u>
Value Carried in Net Worth	\$ <u>4,800,310</u>	\$ <u>5,833,654</u>

John Q. and Juanita K. Hammons
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Schedule I

Computation of Equities in Hotel Operations
At Fair Market Value

	Embassy Suites Rogers, Arkansas
Percent Owned	100%
Number of Rooms	—
FMV - Per Room	—
FMV - Fixed Assets	\$ <u>3,121,631</u>
Current Assets	
Cash	—
Accounts receivable	—
Prepaid and other	—
Total current assets	<u>—</u>
Other Assets	—
Total Assets	<u>3,121,631</u>
Current Liabilities	
Current portion of long-term debt	—
Accounts payable	—
Total current liabilities	<u>—</u>
Long-Term Debt	<u>(1,735,584)</u>
Minority Interest	—
Value Carried in Net Worth	<u>\$ 1,386,047</u>

John Q. and Juanita K. Hammons
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Schedule II

Trade Centers and Related Loans

	<u>Appraised Value</u>	<u>Loan Balance</u>	
Joplin Trade Center Joplin, Missouri	\$ 5,740,000	\$ 1,832,038	Union Planters Bank
Portland Trade Center Portland, Oregon	5,150,000	—	
University Plaza Trade Center Springfield, Missouri	5,280,000	47,000	Bank of America
University Plaza Convention Center Springfield, Missouri	<u>6,250,000</u>	<u>83,309</u>	Bank of America
	<u>\$ 22,420,000</u>	<u>\$ 1,962,347</u>	
Current Portion of Long-Term Debt		\$ 339,173	
Long-Term Debt		<u>1,623,174</u>	
		<u>\$ 1,962,347</u>	

John Q. and Juanita K. Hammons
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Schedule III
Closely Held Corporations
Group I
(Over 50% Owned)

<u>Assets</u>						
	Ownership Percentage	Estimated Value	Cash	Accounts Receivable	Prepaid and Other	Asset Value
Burger Station, Inc.	100%	\$ 790,200	\$ 48,216	\$ —	\$ —	\$ 838,416
Highland Hills Golf Club, Inc.	100%	12,440,000	580	—	—	12,440,580
Highland Springs Realty	100%	—	898	—	—	898
John Q. Hammons Industries	100%	17,650	366	—	6,000	24,016
JQH Entertainment, Inc.	100%	260,000	78,779	2,679	33,195	374,653
JQH Film Entertainment, Inc.	100%	175,000	1,861	—	—	176,861
JQH Industries, Inc.	100%	1,320,000	272,040	58,914	—	1,650,954
JQH Theaters, Inc.	100%	—	29,728	6,252	120,617	156,597
Perpetual Investment	100%	—	4,003	1,000	—	5,003
Southgate Development	100%	—	581	—	47,000	47,581
Southgate Inc.	100%	—	195	3,500	—	3,695
The Tower Club of Springfield, Inc.	100%	2,800,000	45,958	230,204	72,313	3,148,475
Tiffany Greens, Inc.	100%	48,850,000	79,148	90,728	—	49,019,876
T & K Enterprises	100%	1,250,000	1,804,854	102,225	196,756	3,353,835
Plaza Realty and Management Services	98%	250,000	61,330	15,000	100	326,430
Verdae Greens Golf Club, Inc.	60%	12,750,000	266,188	42	82,992	13,099,222
Morro Bay Mini Storage, Inc.	51%	<u>7,800,000</u>	<u>85,099</u>	<u>—</u>	<u>1,000</u>	<u>7,886,099</u>
		<u>\$ 88,702,850</u>	<u>\$ 2,779,824</u>	<u>\$ 510,544</u>	<u>\$ 559,973</u>	<u>\$ 92,553,191</u>

Liabilities					
Current Debt	Accounts Payable and Accrued Expenses	Total Current	Long-Term Debt	Minority Interest and Other Adjustments	Equity
\$ —	\$ (6,000)	\$ (6,000)	\$ —	\$ —	\$ 832,416
(150,639)	—	(150,639)	(1,421,691)	—	10,868,250
—	—	—	—	—	898
—	—	—	—	—	24,016
—	(336,610)	(336,610)	—	—	38,043
—	(6,841)	(6,841)	—	—	170,020
(1,350,361)	(5,493)	(1,355,854)	—	—	295,100
—	(74,545)	(74,545)	—	—	82,052
—	—	—	—	—	5,003
—	—	—	—	—	47,581
—	—	—	—	—	3,695
—	(125,430)	(125,430)	—	—	3,023,045
(2,746,835)	(28,494)	(2,775,329)	(16,466,856)	—	29,777,691
(87,107)	(173,359)	(260,466)	—	—	3,093,369
—	—	—	(8,700)	43,987	361,717
(157,000)	(559,849)	(716,849)	(1,699,271)	(2,619,501)	8,063,601
—	(712)	(712)	(1,579,595)	(3,089,838)	3,215,954
<u>\$ (4,491,942)</u>	<u>\$ (1,317,333)</u>	<u>\$ (5,809,275)</u>	<u>\$ (21,176,113)</u>	<u>\$ (5,665,352)</u>	<u>\$ 59,902,451</u>

John Q. and Juanita K. Hammons
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Schedule IV
Closely Held Corporations
Group II
(50% Owned or Less)

	Ownership Percentage	Total FMV	Due to JQH	Other Shareholder Interest	JQH% Ownership Including Notes Receivable
Network Publishing Corp of IL	50%	\$ 350,000	\$ (30,000)	\$ 160,000	\$ 190,000
Sunshine Development Company	50%	500,000	—	250,000	250,000
Winegardner & Hammons, Inc.	45%	<u>65,730,000</u>	<u>—</u>	<u>36,151,500</u>	<u>29,578,500</u>
		<u>\$ 66,580,000</u>	<u>\$ (30,000)</u>	<u>\$ 36,561,500</u>	<u>\$ 30,018,500</u>

John Q. and Juanita K. Hammons
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Schedule V
Partnerships

		<u>Assets</u>				
	Ownership Percentage	Estimated Value	Cash	Accounts Receivable	Prepaid	Asset Value
Carolina Palace, LP	100%	\$ 15,000,000	\$ 364	\$ —	\$ 117,499	\$ 15,117,863
Interactive Media Investments, LLC	80%	1,250,000	—	—	—	1,250,000
Blue Hill Company	50%	4,000,000	3,893	570	4,522	4,008,985
Hammons - Winegardner Land	50%	1,100,000	—	—	—	1,100,000
John Q. Hammons Building	50%	7,900,000	89,032	—	—	7,989,032
Southern Hills – Springfield, Missouri	50%	<u>850,000</u>	<u>303</u>	<u>—</u>	<u>—</u>	<u>850,303</u>
		<u>\$ 30,100,000</u>	<u>\$ 93,592</u>	<u>\$ 570</u>	<u>\$ 122,021</u>	<u>\$ 30,316,183</u>

Liabilities					
Current Debt	Accounts Payable and Accrued Expenses	Total Current	Long-Term Debt	Minority Interest and Other Adjustments	Equity
\$ (480,000)	\$ (500,000)	\$ (980,000)	\$ (7,140,000)	\$ —	\$ 6,997,863
—	—	—	—	(250,000)	1,000,000
(225,000)	(209,887)	(434,887)	(760,000)	(1,407,049)	1,407,049
—	—	—	—	(550,000)	550,000
(121,873)	(5,184)	(127,057)	(2,510,110)	2,541,904	7,893,769
—	(9,895)	(9,895)	—	(420,204)	420,204
<u>\$ (826,873)</u>	<u>\$ (724,966)</u>	<u>\$ (1,551,839)</u>	<u>\$ (10,410,110)</u>	<u>\$ (85,349)</u>	<u>\$ 18,268,885</u>

John Q. and Juanita K. Hammons
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Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Arizona			
Flagstaff, Arizona			
6.081A Commercial Site	\$ 2,000,000	\$ 0	
Arkansas			
Little Rock, Arkansas			
4.0A Commercial Site Financial			
Parkway	2,800,000	978,631	Metropolitan Bank
17A 1-430 Commercial Site	5,200,000	664,468	Metropolitan Bank
Kanis Blvd. - 3½ Acres	1,500,000	589,514	Metropolitan Bank
California			
San Luis Obispo, California			
Morro Bay - 600 Acre Ranch			First Bank of San
U.S. Hwy. #1	6,240,000	1,176,854	Luis Obispo

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Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Colorado			
Denver, Colorado			
Comm'l & Office Sites 6.5 Acres, I-25 & 120 th	\$ 1,800,000	\$ 0	
Comm'l Site - 4 Acres I-70 - Chambers Rd.	2,000,000	0	
Florida			
Fort Myers, Florida			
Daniels Blvd. And International Drive 14A Hotel Site	6,500,000	2,000,000	Colonial Bank
U.S. 41 and Gladiola 4.5 Acres Shopping Center Site	2,500,000	0	
Idaho			
Boise, Idaho			
Boise Airport Comm'l site	5,400,000	950,000	Bank of America
Idaho Falls, Idaho			
Comm'l Site - 7 Acres U.S. 25 and Airport Rd.	950,000	0	

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Schedule VI
Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance
Iowa		
Cedar Rapids, Iowa		
Comm'l Site - 5.15 Acres		
I-380 and Airport Rd.	\$ 900,000	\$ 0
Comm'l Site - Lot 2		
I-380 and Airport Rd.	800,000	0
Des Moines, Iowa		
Comm'l Site - 3 Acres		
I-80 - I-35	1,250,000	0
Missouri		
Branson, Missouri		
Table Rock Lake Development		
property - 123 Acres, near		
Table Rock Dam Area	11,520,000	0

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December 31, 2001

Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Springfield, Missouri			
One Parkway Place -			
1 Condominium	\$ 400,000	\$ 0	
Walnut Street Lot (U.P.)	200,000	0	
U.P. Commercial Site			
Phase 6 & 7	500,000	0	
Residence & Furnishings			
Southern Hills	800,000	0	
16.5 Acres -			
Battlefield Road and Lone Pine	1,500,000	0	
U.P. Commercial Site Phase 8	550,000	0	
Comm'l Site - 18 Acres			
I-44 & Airport Road	4,250,000	0	
Enterprise Bldg.	850,000	118,076	Union Planters Bank
U.S. Court House	4,250,000	2,470,291	Commerce Bank
Glenstone Office Bldg. Site	950,000	0	
Springfield Mini-Storage	3,500,000	0	

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri

December 31, 2001

Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
The Hammons Tower	\$ 22,500,000	\$ 11,603,945	US Bank
Burger Station #1, #2 & #3	1,250,000	0	
U.P. Warehouse Annex - 60,000 square feet	1,400,000	158,487	Missouri State Bank & Trust
The Café	1,800,000	0	
Residential Development			
Golf Course and Country Club	21,600,000	6,294,873	Great Southern
		10,081,500	Member Deposits
Developed Areas -			
Improved Residential			
Lots and lots under contract	7,102,400	341,689	Great Southern
Cluster Area A	1,400,000	0	
Cluster Area B	1,750,000	0	
Cluster Area C	2,500,000	0	
Sales Pavilion and Office Bldg.	1,500,000	0	
Unimproved Areas -			
Unimproved Residential Lots	5,750,000	0	
Commercial Shopping Village	4,400,000	0	
Phase 3	550,000	0	

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri

December 31, 2001

Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Tree & Turf Nursery - 8A	\$ 350,000	\$ 0	
John Q. Hammons Sports Hall of Fame	4,250,000	0	
Joplin, Missouri Comm'l & Ind. Site 78 Acres, I-44	2,160,000	0	
Comm'l & Office Sites 3 Acres, I-44	500,000	0	
Kansas City, Missouri Comm'l Lot - Tiffany Springs Parkway	1,600,000	760,000	Valley View State Bank

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri

December 31, 2001

Schedule VI

Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
New Mexico			
Albuquerque, New Mexico 2.0 Acres Journal Center	\$ 300,000	\$ 0	
Hotel Site – I-25 and Lomus Boulevard	4,500,000	0	
Nevada			
Reno, Nevada			
Hotel & Casino Site Prk Lots – Downtown Reno	1,275,000	0	
Casino Bldg. & Land	4,200,000	26,799	5 th 3 rd R. E. Capital
Lake Tahoe, Nevada			
Hotel Site – So. Shore U.S. 50 & State Line	750,000	0	
North Carolina			
Charlotte, North Carolina			
7 Acre Hotel Site Airport Coliseum	3,500,000	0	

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
December 31, 2001
Schedule VI
Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Oklahoma			
Tulsa, Oklahoma Tulsa Commons NE Quadrant Mingo Expressway & 71st 42 Acres Commercial Development	\$ 14,400,000	\$ 2,654,320	Arvest Bank
Oregon			
Seaside, Oregon Highlands at Gearhart Teal Court Subdivision	250,000	0	
South Carolina			
Myrtle Beach, South Carolina #1 Theater Site	2,000,000	0	
IMAX Theater	6,000,000	2,376,326	BB & T
Tennessee			
Franklin, Tennessee Hotel Site, 9 Acres	1,200,000	0	

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
December 31, 2001
Schedule VI
Real Estate Investments and Related Loans

Property Location	Appraised Value	Loan Balance	
Texas			
Houston, Texas			
Comm'l Site - 9 Acres			
Gulf Freeway & Airport Rd.	\$ 4,500,000	\$ 0	
Frisco, Texas			
Commercial Site			
Adjacent Frisco Mall	5,500,000	2,300,000	Legacy Bank
Wisconsin			
Madison, Wisconsin			
Commercial Sites			
West Belt Freeway and			
Greenway Blvd.			
4 Acres	2,200,000	0	
5 Acres	<u>1,850,000</u>	<u>0</u>	
TOTAL	<u>\$ 203,897,400</u>	<u>\$ 45,545,773</u>	
Current Portion of Long-Term Debt		\$ 2,898,760	
Long-Term Debt		<u>42,647,013</u>	
		<u>\$ 45,545,773</u>	

**John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri**

December 31, 2001

All Other

Notes Payable

	<u>Amount</u>
Premier Bank	\$ 450,000
BB & T	3,000,000
J.P. Morgan	10,000,000
Arvest Bank	3,300,000
Bank of Zanesville	11,000,000
Other	395,831
Plains National Bank	1,000,000
Missouri State Bank	1,000,000
Old Missouri State Bank	400,000
Great Southern Bank	2,417,197
Mary Guy	<u>800,000</u>
Total	\$ <u>33,763,028</u>
Current Portion of Long-Term Debt	\$ 21,367,197
Long-Term Debt	<u>12,395,831</u>
	\$ <u>33,763,028</u>

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri

Notes to Statement of Financial Condition
December 31, 2001

Note 1: Basis of Presentation

The accompanying financial statements include the assets and liabilities of John Q. and Juanita K. Hammons. Assets are stated at their estimated current values and liabilities at their estimated current amounts.

Note 2: Cash and Cash Equivalents

John Q. and Juanita K. Hammons consider all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2001, cash equivalents consisted of money market accounts, certificates of deposit, commercial paper and repurchase agreements and restricted cash. Restricted cash consisted of four restricted certificates of deposits totaling \$16,999,377 at December 31, 2001. Cash amounts shown include required amounts for collateral agreements, compensating balances, workmen's compensation reserves and minimum suggested reserve cash provisions for various entities.

Note 3: Marketable Securities

The current values of marketable securities are their quoted closing prices as of December 31, 2001, except for the value of John Q. Hammons Hotels, Inc. (refer to *Note 11*).

Note 4: Valuation Methods in General

The estimated values of the investment in closely held corporations and the estimated current value of the equities in partnerships, trade centers and other assets were supplied by John Q. Hammons. See Schedules I, II, III, IV, V and VI for additional detail. Detail of cash and loan amounts is provided for majority owned closely held corporations and substantially all the partnerships.

Note 5: Valuation Method - Hotel Operations

The estimated current values of the equity in the hotels were based on a current fair market value per hotel room determined by John Q. Hammons. The total fixed asset value thus determined was increased by the current assets and decreased by nonrelated party debt as of December 31, 2001. The hotel operations are composed of corporations and partnerships with the land and buildings generally owned personally by John Q. Hammons. In order to simplify the financial presentation, the hotel operations are shown as though they were personally owned regardless of the organizational structure. See Schedule I for individual hotel valuations.

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
Notes to Statement of Financial Condition
December 31, 2001

Note 6: Current Income Tax

Income tax information is based on estimates of 2001 income tax liabilities used for federal and state extension requests. Current year estimated tax payments are sufficient to cover the estimated current year income tax liability. Additional tax liabilities related to prior years may arise from an ongoing Internal Revenue Service audit of certain of the Hammons' personal tax returns. The amount of any liability has not been determined as of April 10, 2002.

Note 7: Notes Payable and Guarantees

The notes payable shown on Schedules I, II, III, IV, V and VI have various maturity dates through the year 2017. The current portion of long-term debt has been estimated using loan information available at December 31, 2001.

John Q. Hammons operating as a proprietorship has guaranteed the payment of the obligations of the companies and partnerships he has an interest in. These amounts are included in the schedules.

Note 8: Estimated Income Tax

Estimated income taxes have not been provided on the differences between the estimated current values of assets and their tax bases plus the estimated current amounts of liabilities. Any provision will differ from the amounts of income taxes that eventually might be paid because those amounts are determined by the timing and the method of disposal or realization and the tax laws and regulations in effect at the time of disposal or realization. The estimated current values of assets exceeded their tax bases plus liabilities by approximately \$851,000,000 at December 31, 2001. Multiplying this difference by an income tax rate of 34% results in a potential liquidation tax of approximately \$290,000,000.

Note 9: Gifts

Since 1976, John Q. Hammons has committed himself to charitable gifts exceeding \$10,000,000. The unpaid balance of these gifts to Southwest Missouri State University, St. John's Hospital, the Public Broadcasting System, Drury University and the Hammons Heart Institute is approximately \$6,000,000, which consists primarily of deferred gifts due from John Q. Hammons' estate.

John Q. and Juanita K. Hammons
300 John Q. Hammons Parkway Suite 900
Springfield, Missouri
Notes to Statement of Financial Condition
December 31, 2001

Note 10: Land Leases

The following hotel has long-term land leases payable to nonrelated parties:

Cincinnati, Ohio – Eastgate

Note 11: Investment in John Q. Hammons Hotels, Inc. and John Q. Hammons Hotels L.P.

John Q. Hammons Hotels, Inc. (the "Company") is a public company whose stock is traded on the New York Stock Exchange. The Company's only asset is a 24% general partnership interest in John Q. Hammons Hotels, L.P. (JQHLP). JQHLP owns and/or operates 56 hotels located in 22 states throughout the United States. The Company is the sole general partner of JQHLP and exercises control over all decisions as set forth in the partnership agreement.

John Q. Hammons owns 100% of the Company's Class B common shares and 269,100 of the Company's Class A common shares and is the 100% owner of 16,043,900 units of JQHLP. These represent a combined beneficial ownership of 78.67% of the Company.

The estimated current values of the Company and JQHLP in the accompanying financial statements was determined by John Q. Hammons and take into consideration underlying values of the hotels and property, current and future cash flows and his controlling interest.

In the event proceeds from the sale of various hotel properties which secure first mortgage notes and other mortgage indebtedness are insufficient to satisfy amounts due, John Q. Hammons, personally and through 100%-owned entities, is obligated to contribute up to \$245 million to satisfy any amounts due.



John Q. Hammons

HOTELS & RESORTS

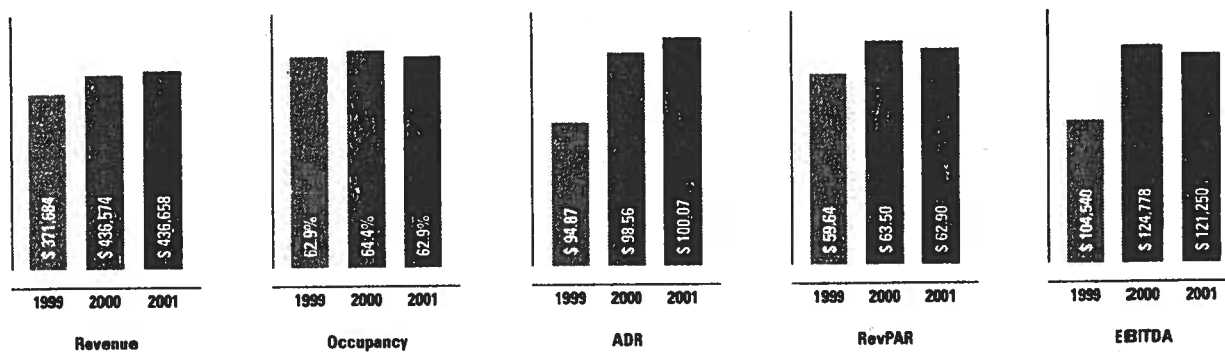
Annual Report 2001

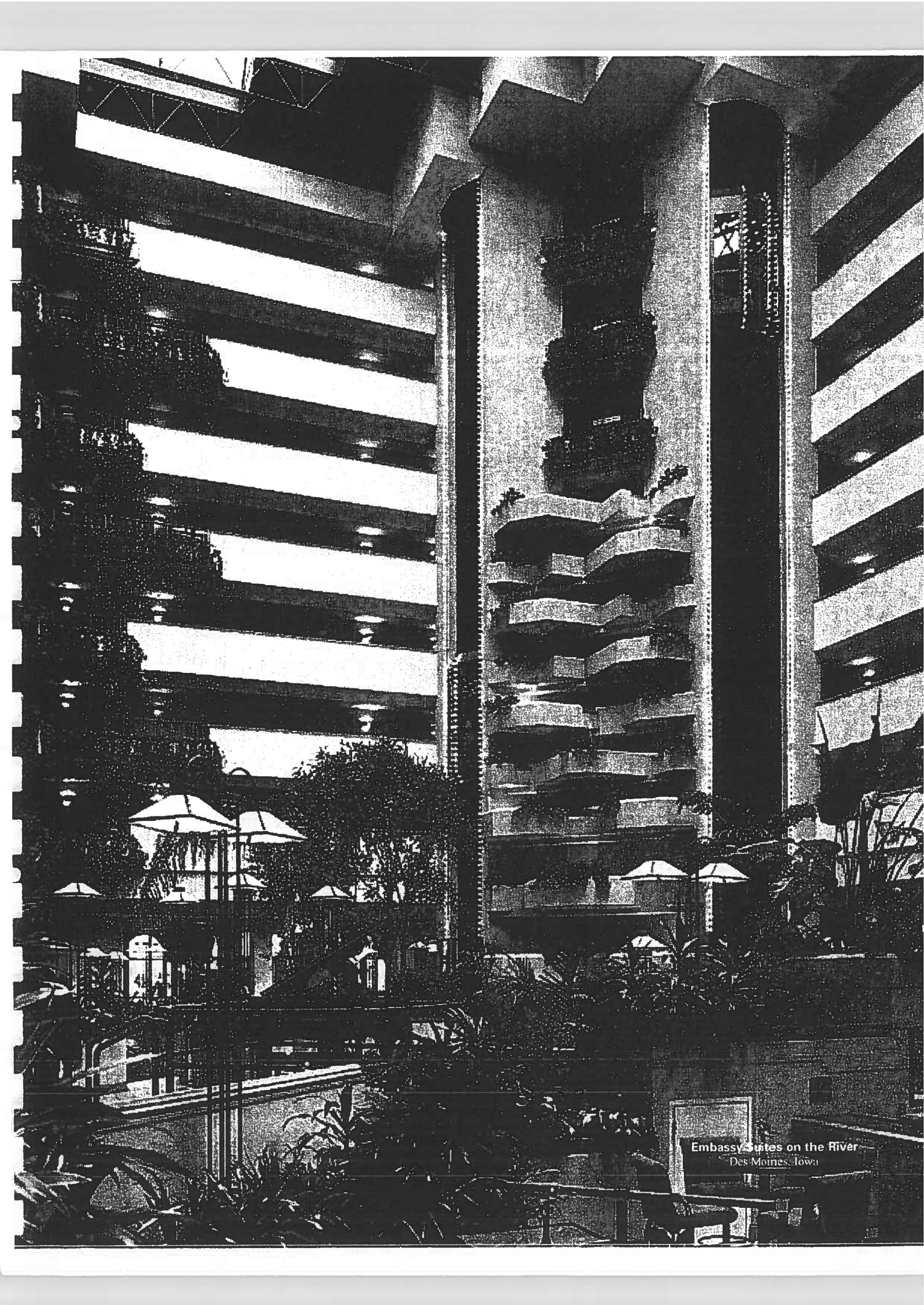
Defining Times

Financial Highlights

(in thousands, except per share amounts, ratios and operating data)

	1999	2000	2001
Operating Results			
Total Revenues	\$ 371,684	\$ 436,574	\$ 436,658
Other Data			
EBITDA	\$ 104,540	\$ 124,778	\$ 121,250
LP Unit Data			
EBITDA per LP Unit	\$ 4.67	\$ 5.58	\$ 5.74
Operating Cash Flow per LP Unit (EBITDA less interest expense)	\$ 1.89	\$ 2.28	\$ 2.38
Selected Balance Sheet Data			
Total Assets	\$ 934,312	\$ 920,884	\$ 881,724
Total Debt, including Current Portion	\$ 828,843	\$ 836,707	\$ 813,007
Minority Interest of Holders of Limited Partner Units			
Equity	\$ 25,251	\$ 23,515	\$ 14,111
Operating Data			
Number of Hotels	45	47	47
Number of Rooms	11,067	11,633	11,633
Average Occupancy	62.9%	64.4%	62.9%
Average Daily Room Rate (ADR)	\$ 94.87	\$ 98.56	\$ 100.07
Room Revenue per Available Room (RevPAR)	\$ 59.64	\$ 63.50	\$ 62.90





Embassy Suites on the River
Des Moines, Iowa

stability (stə·bi·lə·tē) *noun* **1.** A reliable, enduring quality or attribute with a constancy of character and purpose.
2. Able to withstand under the most challenging circumstances.
3. Relentless, long-lasting spirit and strongest resolve that is committed to sustaining unwavering success.

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Product 13

Location 15

Company Profile 17

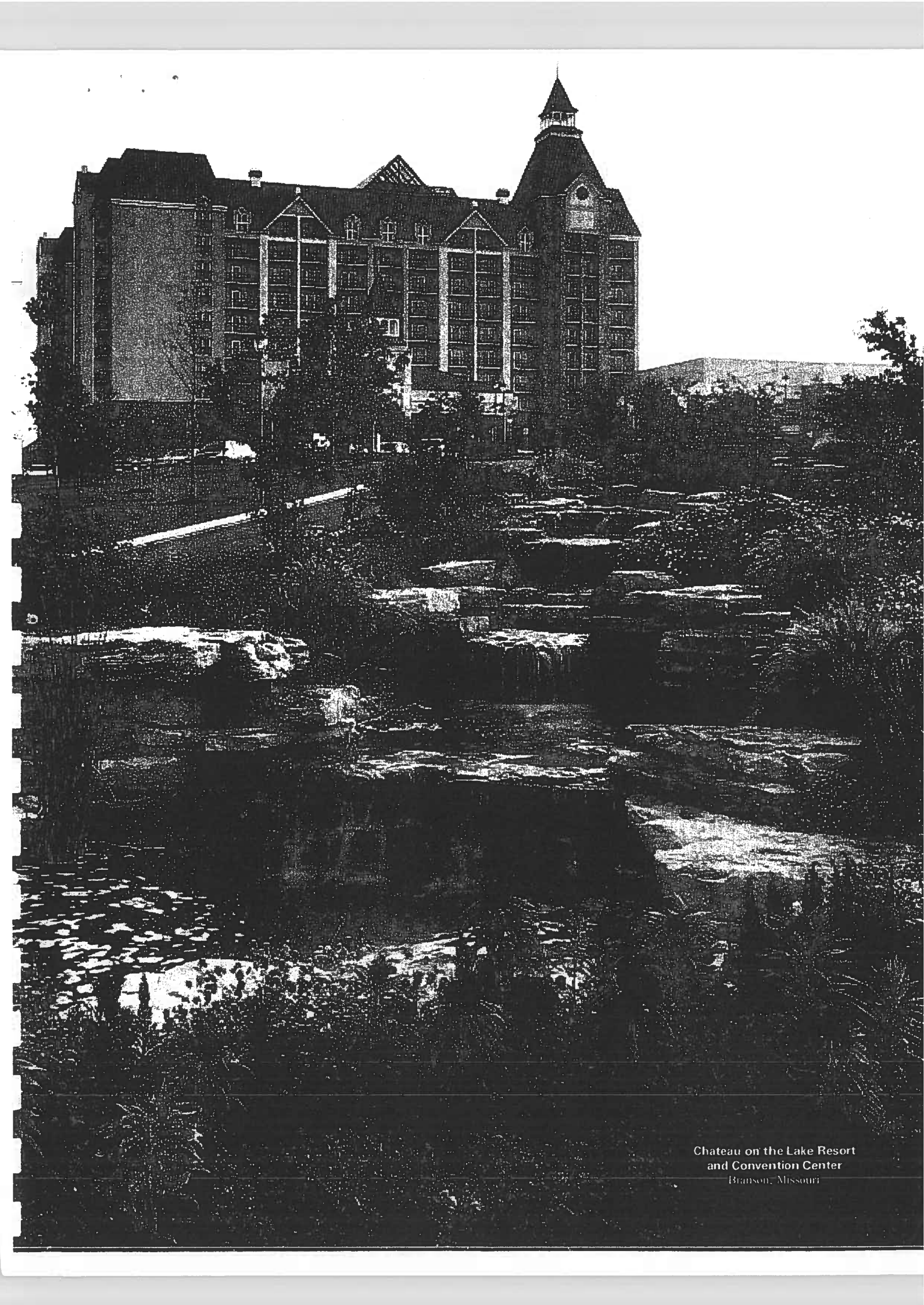
Selected
Consolidated
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Discussion
and Analysis 21Report of Independent
Accountants and
Consolidated
Financial Statements 27

Defining our company

In times of uncertainty, we often turn our focus to the most basic core principles—those things that offer us stability, comfort and reassurance. John Q. Hammons Hotels, Inc. has always relied on its people, partnerships, products and locations as the foundation of its business—and will continue to do so in the future.

Economic hardships in the year 2001 brought out the true character and relentless resolve that have defined the Company in its 40-year existence. In a year when many companies were left exposed and vulnerable to downturns, the stability of John Q. Hammons Hotels, Inc. endured.

A commitment to its core principles has always been a defining characteristic of John Q. Hammons Hotels, Inc. The hardships of the past year and the Company's ability to overcome them have proven this devotion is not unfounded.



Chateau on the Lake Resort
and Convention Center
Branson, Missouri

Defining moments

September 11, 2001, a day that changed the face of our country—yet forever solidified our American spirit.

The day of the tragedy I shared a memorandum with each associate stating the effect that 9/11 would have on our company both in the short term and long term. I stated that, although we need to reserve time to grieve for those tragically taken, we also need to pull together as a nation and a company—and not be defeated. Although every American should continue to exercise their constitutional right—the freedom to travel throughout our great nation—we knew that customer apprehension, airport shutdowns and various heightened travel security issues would affect us.

As the travel industry finds itself winding along the road to recovery, I truly believe our company is positioned to lead the way for the entire industry. In my 40 years of leading this company, I have had my share of experiences in which we managed to endure through even the most severe economic hardships. With every one of these past challenges, when other companies could not withstand them, John Q. Hammons Hotels, Inc. always overcame, and eventually prospered.

The events of September 11 hindered the performance of the industry, and in turn, our company. However, we did not panic. Our business suffered, but only temporarily. Our foundation wavered, but only momentarily. We continued to

maintain our product quality and the levels of customer service our guests have come to expect.

Moreover, a significant reason we were able to withstand the year's economic challenges was our tremendous faith in the key strengths that define the Company—our people, partnerships, products and locations. To capitalize on these strengths, the Company has steadfastly applied the following strategies to enhance stockholder value and achieve our goals:

- *Assembling a collection of the finest hotels in the most profitable markets*
- *Focusing on increasing the value of our stock by suspending development of new hotels and increasing the return on our existing properties*

- *Investing in our dedicated staff and technologies to achieve the highest quality hotel management team in the country*

As always, the Company's focus is to increase cash flow primarily through (i) capitalizing on positive operating fundamentals in the upscale, full-service sector of our markets and improving the operating results of our newer hotels, (ii) converting the franchises of our existing hotels to franchise brands that are considered more upscale and (iii) adhering to the principles of quality and service that have enabled the Company to overcome challenges.

During 2001, the Company utilized excess cash flow to reduce long-term debt by \$23.7 million. As the economy continues to recover, we anticipate continuing this debt reduction program to further strengthen our balance sheet. In addition, we are moving forward with the conversion of certain franchises to ones considered more profitable in their respective markets.

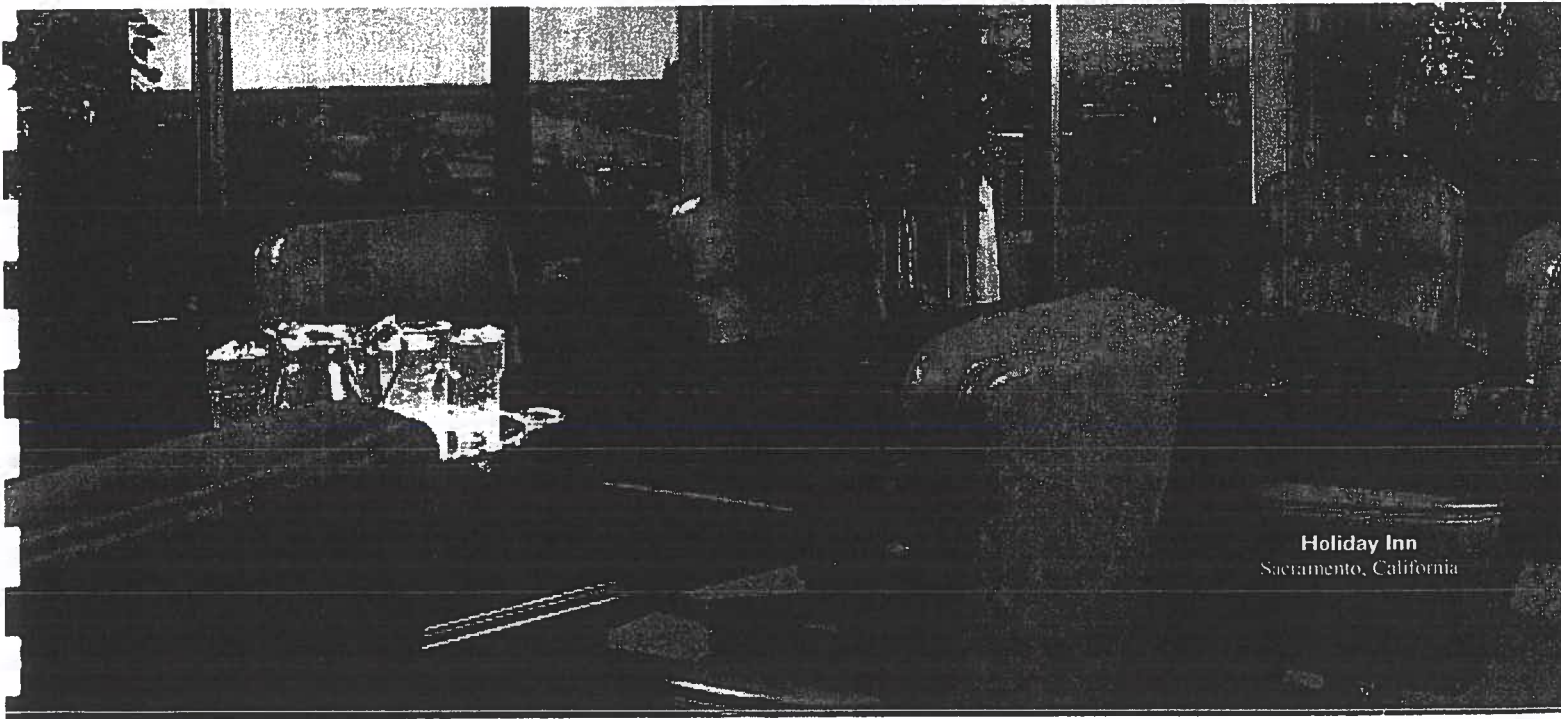
Although September 11, 2001, will never be forgotten, the hardships that followed will. We are hopeful of a general economic recovery for the nation as well as for the hotel industry. The aforementioned will not deter the Company from progressing toward its goals. In fact, they have only made us stronger. With the addition of Lou Weckstein as Company President and his focus on increasing revenues, an evaluation and adjustment of operating expenses will be made without impacting the quality of guest service or safety. Without an unwavering reliance on our key strengths, the foundation of the Company could never have endured. The year 2002 will test the commitment of the Company once again. We look forward to even more defining moments in the years to come.



Sincerely,

A handwritten signature in dark ink, appearing to read "John Q. Hammons".

John Q. Hammons
Founder, Chairman & CEO



Holiday Inn
Sacramento, California

The John Q. Hammons Hotels, Inc. Board of Directors

John Q. Hammons
Founder, Chairman & Chief Executive Officer,
John Q. Hammons Hotels, Inc.

Jacqueline A. Dowdy
Secretary, John Q. Hammons Hotels, Inc.

Daniel L. Earley
President, First Clermont Bank

Donald H. Dempsey
Executive Vice President &
Chief Financial Officer, Equity Inns, Inc.

William J. Hart
Partner, Husch & Eppenger, LLC

John E. Lopez-Ona
President, Anvil Capital

James F. Moore
Retired Chairman, Champion Products, Inc.
David C. Sullivan
Retired Chairman, Resort Quest International

Committees of the Board

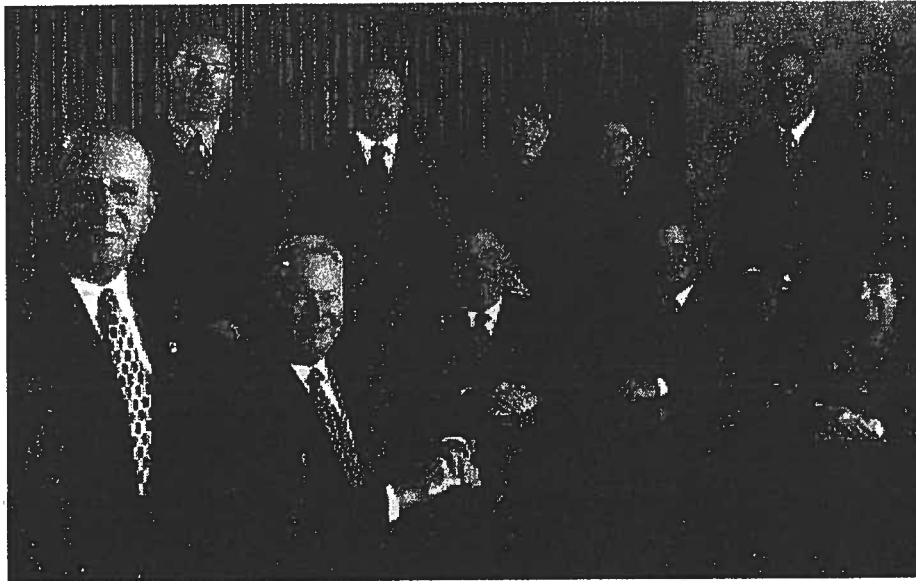
Audit Committee
John E. Lopez-Ona, Chairman
Donald H. Dempsey
James F. Moore

Compensation Committee
William J. Hart, Chairman
James F. Moore
David C. Sullivan

Finance Committee
Donald H. Dempsey, Chairman
Jacqueline A. Dowdy
Daniel L. Earley
David C. Sullivan

Officers

The John Q. Hammons Hotels, Inc. Executive Team



(Standing left to right)

Lou Weckstein
President
Paul E. Muellner
Chief Financial Officer, Vice President
John D. Fulton
Vice President Interior Design
Debra Mallonee Shantz
Corporate Counsel
Steven E. Minton, AIA
Senior Vice President Architecture
Kent S. Foster
Vice President Human Resources

(Seated left to right)

L. Scott Tarwater
Vice President Sales and Marketing
Pat A. Shivers
Senior Vice President Controller
William T. George, Jr.
Vice President Capital Planning
& Asset Management
Jacqueline A. Dowdy
Secretary, John Q. Hammons Hotels, Inc.

The John Q. Hammons Hotels, Inc. Management Team



(From left to right)

Robert A. Niehaus
Regional Vice President
Western Region
Sacramento, California
Robert J. Fugazi
Regional Vice President
Central Region
Dallas, Texas
Joe M. Morrissey
Regional Vice President
Midwest Region
Kansas City, Missouri
Veanne J. Stocking
Regional Vice President
Rocky Mountain Region
Ft. Collins, Colorado
William A. Mead
Regional Vice President
Eastern Region
Greensboro, North Carolina
Tom C. Harwell
Regional Vice President
Southern Region
Houston, Texas
Mark S. Gundlach
District Director
Springfield, Missouri

people (pē•pəl) *noun* **1.** A body of persons who compose the cornerstone of a company's solid foundation. **2.** An assembly of loyal, dependable associates striving to achieve a common goal.

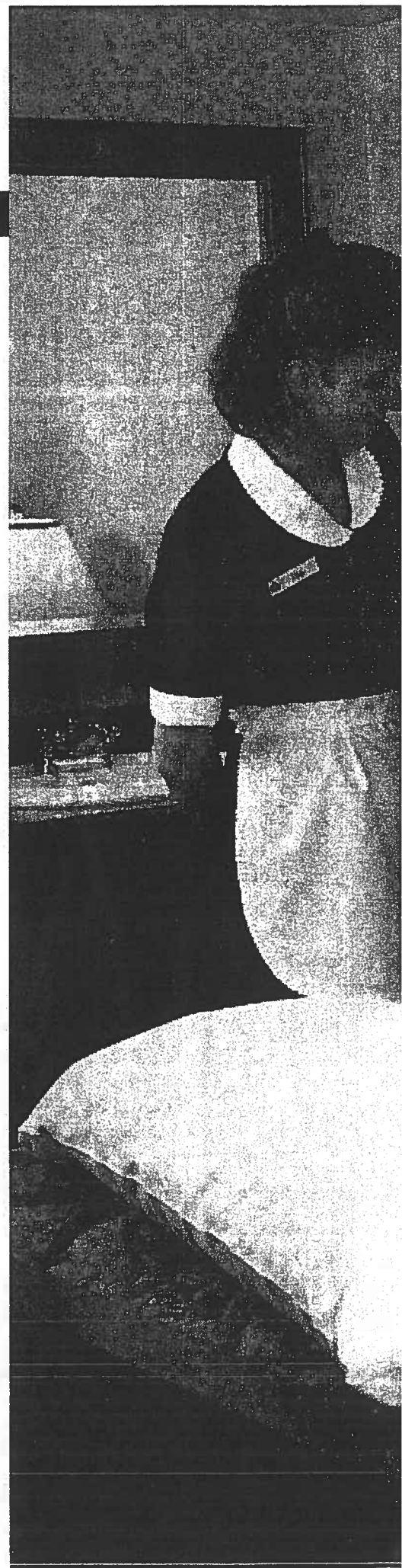
Giving new meaning to teamwork

The true character of any company lies in the combined efforts and beliefs of its associates. It is through this group of people that the Company's values and beliefs are embodied.

One constant, sustaining quality of John Q. Hammons Hotels, Inc. is our skilled team of professionals. Armed with an endearing loyalty, they take pride in their work and share in the values that have helped define the Company for the past 40 years—hard work, attention to detail and a commitment to excellence. In fact, many have served the Company for more than 25 years. Through the results of our associates' determination, our hotels have generated constant and consistent customer satisfaction.

Management of the Company is coordinated from its headquarters in Springfield, Missouri, by its senior executive team. Six regional vice presidents and one district director are each responsible for supervising a group of general managers in day-to-day operations. Centralized management services and functions include sales and marketing, purchasing, financial controls, architecture and design, human resources, legal and hotel operations.

In July 2001, Lou Weckstein was named President of the Company. Mr. Weckstein most recently was senior vice president, hotel operations for Windsor Capital Group, a Los Angeles-based hotel management and development company. With over 40 years of hotel industry experience, Mr. Weckstein's comprehensive background in hotel operations, development, finance and sales and marketing greatly complements the strengths of the Company's leadership position within the industry and reinforces the true character of John Q. Hammons Hotels, Inc.





Throughout each hotel, our professionally trained staff takes special care of every last detail, ensuring our guests a memorable stay.

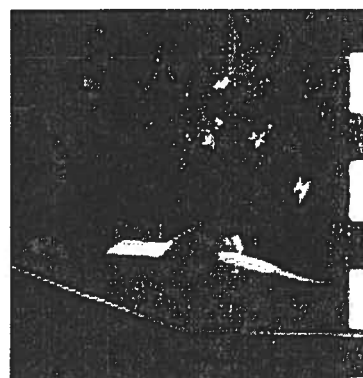


Guests will find our hotels' cuisine delightfully satisfying.

9



Dedication of our staff is evident throughout each hotel.



Guests' needs will be fulfilled from check-in until checkout.



Renaissance Suites
Charlotte, North Carolina

partnerships (pärt•nər•ships) *noun* **1.** A collection of groups that share a fixed proportion of profits and losses. **2.** A relationship between individuals that is characterized by mutual cooperation and responsibility, in efforts to reach a desired objective. **3.** A sense of trust established between a company or service and its customers.

Relationships that spell success

In order to maintain stability during the most challenging times, it is beneficial for a company to associate with those who share similar values and principles. In turn, the company will be better prepared and positioned to absorb the harshest of economic hardships.

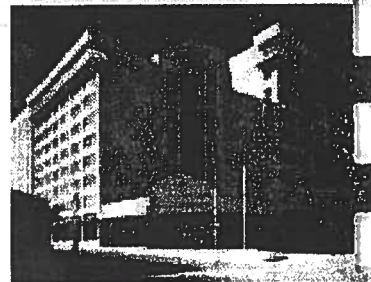
The Company is distinguished by its ability to establish the most advantageous partnerships in every market. After extensive market analysis and research, the brands are carefully selected to fit the needs of each respective market. By working with the strongest, most reputable brands in the hotel industry, John Q. Hammons Hotels, Inc. strives to establish a dominant market share in each community. Hotels in the Company's portfolio are consistently recognized as some of the highest-ranking in the country within their respective brand.

In 2001, the Company owned or managed six of the top ten Embassy Suites Hotels worldwide and five Holiday Inn Hotels received Quality Excellence Awards for demonstrating the highest standards in hotel operations, product quality and customer satisfaction.

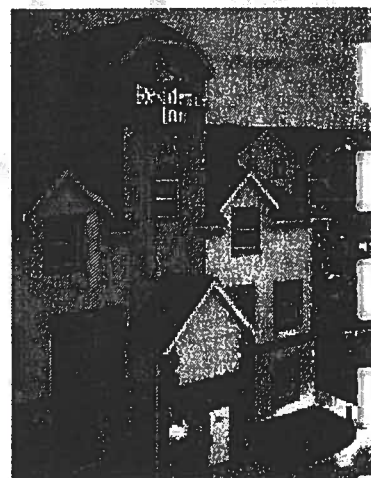
Each hotel is staffed with a team of warm and caring professionals that strives to maintain a long-lasting relationship with its customers. In addition, John Q. Hammons Hotels, Inc. works closely with local businesses as well as state and local officials to develop hotels that meet the needs of the community and satisfy long-term demand for hotel rooms. In some cases, the Company benefits from incentives offered by local governments, city leaders and convention and visitors bureaus interested in ensuring the development of a quality hotel in their community. In fact, many of the hotels were developed in partnership with local governments to specifically serve meetings and convention markets.



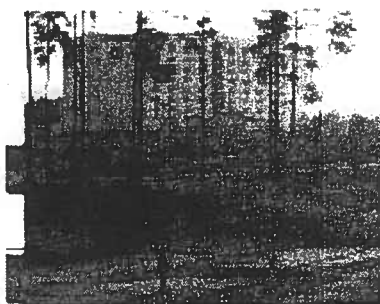
**Embassy Suites
Downtown/Old Market**
Omaha, Nebraska



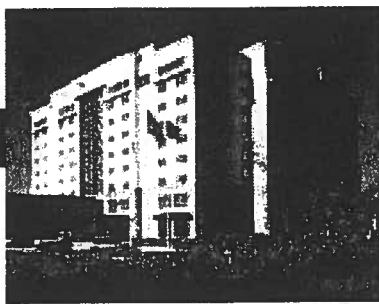
Marriott University Park
Tucson, Arizona



Residence Inn
Springfield, Missouri



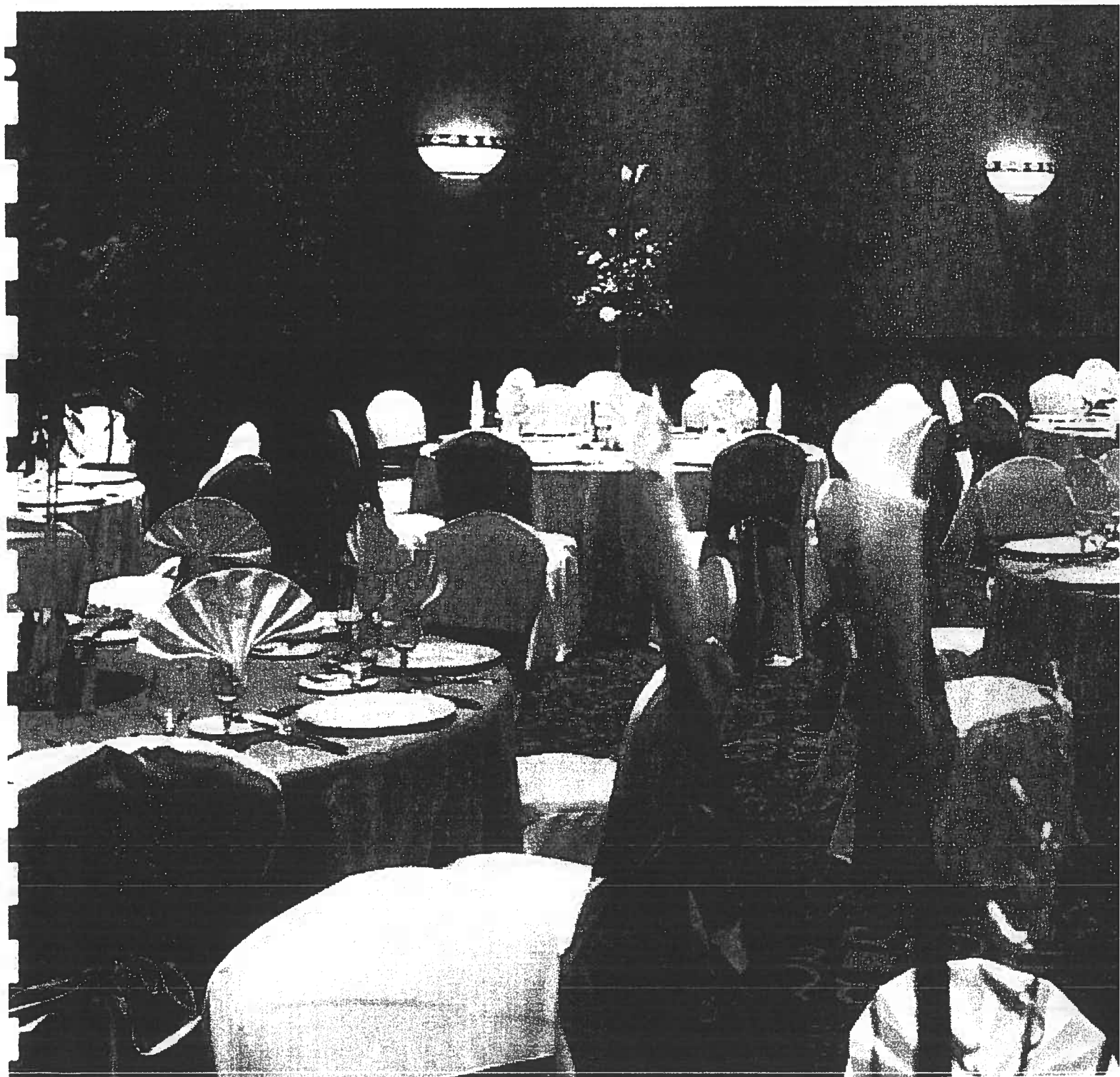
Embassy Suites Greenville
Greenville, South Carolina



Embassy Suites Nashville South
Franklin, Tennessee



Renaissance Charlotte Suites
Charlotte, North Carolina



product (prōd-əkt) *noun* 1. Something produced by human or mechanical effort. 2. A direct, tangible result created and constructed with the support of extensive research and preparation and intuitive planning.

A superior product

By creating the strongest portfolio in the industry and allowing it to reach its full potential, the Company will be better positioned to endure the most turbulent times.

In 2001, the Company sustained a favorable market share by focusing on the quality of its hotels and customer service. John Q. Hammons Hotels, Inc. continually monitors both its individual hotels and overall operations to maintain its signature level of consistency. To date, the Company owns and/or manages 56 hotels in 22 states, for a total of 13,711 rooms and 1.7 million square feet of meeting and convention space—more than any other hotel management company in the country.

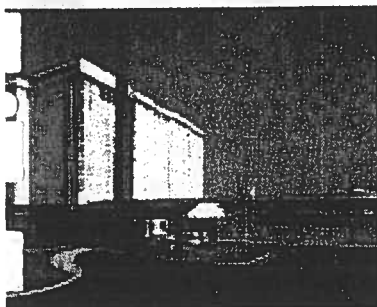
Each hotel is ideally designed by the Company to target convention guests as well as corporate and leisure travelers. The hotels are defined by such alluring features as spectacular multistoried atriums, expansive and flexible meeting spaces, spacious guest rooms or suites, full-service restaurants and aesthetically pleasing lounge areas.

In 2001, three distinguished hotels, owned privately by John Q. Hammons, were added to the Company's management portfolio:

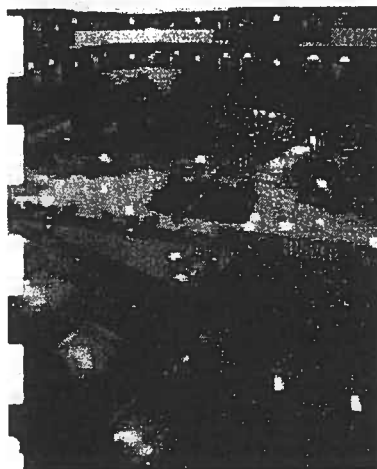
- *The Renaissance Dallas-Richardson Hotel—an anchor of a 27-acre development in the Galatyn Park Urban Center—opened in May in Richardson, Texas. The hotel features 336 rooms and more than 30,000 square feet of meeting space.*
- *Opened in August, the Embassy Suites Nashville South, in Franklin, Tennessee, features 250 suites and 15,000 square feet of convention space. It is strategically located near the Franklin Convention Center and Cool Springs Galleria.*
- *In September, the 136-room Residence Inn by Marriott opened in Springfield, Missouri, catering to extended-stay guests.*

Renaissance Dallas-Richardson
Richardson, Texas

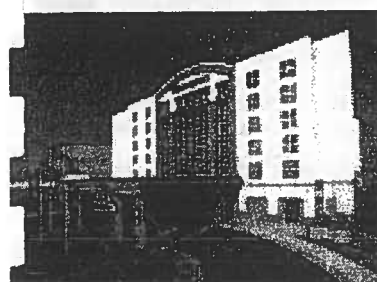
location (lō•kā•shən) *noun* **1.** A tract of land that has been surveyed and marked off. **2.** The placement of something in a specified area to generate positive and profitable rewards.



**Embassy Suites
Airport/Convention Center**
North Charleston, South Carolina



Renaissance Dallas-Richardson
Richardson, Texas



Sheraton Sioux Falls
Sioux Falls, South Dakota

The perfect location

The creation of the finest-quality hotel is one thing. Where to put it is another. Assembled with fine hotels in profitable markets, John Q. Hammons Hotels, Inc. is a continued leader in the hotel industry.

Even in the most uncertain times, the Company specifically targets markets that offer environments less susceptible to economic downturns. Every hotel, in every market, is strategically located in a city containing multiple demand generators such as airports, state capitals, convention centers and universities. However, the location of a hotel by itself doesn't necessarily guarantee prosperous returns.

Much of the success of John Q. Hammons Hotels, Inc. lies in pairing the right hotel brand with the right market. Armed with an experienced management team, the Company uses extensive research and marketing analysis to determine which hotel brand is best suited for the demands of a particular market.

This methodical approach enables every property to tap into a variety of sources to help drive both meeting business and room-night revenues. Most importantly, it allows our hotels to rank in the top three performers in market penetration in every community we serve. This is evidenced by the fact that 18 hotels are ranked number one in their respective markets.

John Q. Hammons Hotels, Inc. understands the power of complementing its prime locations with the highest quality hotels in strategic markets. This allows the company to consistently maintain its position at the top of the industry.





Embassy Suites
Tampa, Florida

Company Profile

John Q. Hammons Hotels, Inc. and its subsidiaries (collectively, the "Company") are leading independent owners, managers and developers of affordable, upscale hotels in market-driven locations. The Company owns 47 hotels located in 20 states containing 11,633 guest rooms and suites (the "Owned Hotels") and manages nine hotels located in five states containing 2,078 guest rooms (the "Managed Hotels"). The Company has suspended development since the completion of its 1999 scheduled hotels. The Company's existing 56 Owned Hotels and Managed Hotels (together, the "JQH Hotels") operate primarily under the Embassy Suites and Holiday Inn trade names. Most of the Company's hotels are in or near a state capital, university, airport, corporate headquarters, office park or other demand generator.

The Company's focus is to increase cash flow and thereby enhance stockholder value primarily through (i) capitalizing on positive operating fundamentals in the upscale, full-service sector of our markets and improving the operating results of newer hotels, (ii) converting the franchises of our existing hotels to franchise brands that are considered to be more upscale and (iii) adhering to the principles of quality and service that have enabled the Company to endure challenges. The Company has designed each new hotel to meet the specific needs of its market and has engaged in marketing efforts months in advance of the hotel's opening. The Company's entire management team, including senior management, architects, design specialists, hotel managers and sales personnel, is involved in the development and continuing operations of each hotel.

The JQH Hotels are designed to appeal to a broad range of hotel customers, including frequent business travelers, groups and conventions as well as leisure travelers. The Company individually designs each hotel and most contain an impressive multistoried atrium, expansive meeting space, large guest rooms or suites and comfortable lounge areas. The hotels' meeting facilities can be readily adapted to accommodate both large and small meetings, conventions or trade shows. Of the JQH Hotels, the 17 Embassy Suites Hotels are all-suite hotels, which appeal to the traveler needing or desiring greater space and specialized services. The 17 Holiday Inn Hotels are affordably priced hotels designed to attract the business and leisure traveler desiring quality accommodations. In addition, the Company owns or manages other reputable brands throughout the country, including Marriott, Radisson and Sheraton.

Management of the JQH Hotels is coordinated from the Company's headquarters in Springfield, Missouri, by its senior executive team. Six regional vice presidents and one district director are each responsible for supervising a group of general managers in day-to-day operations. Centralized management services and functions include sales and marketing, purchasing, financial controls, architecture and design, human resources, legal and hotel operations. Through these centralized services, significant cost savings are realized due to economies of scale.

Stock Price Per Share**UNAUDITED QUARTERLY STOCK INFORMATION**

The Company's Class A Common Stock (the "Class A Common Stock") was listed on the New York Stock Exchange from November 23, 1994, until February 28, 2000, when it began trading on the American Stock Exchange under the symbol "JQH." Prior to November 23, 1994, the Company's Class A Common Stock was not publicly traded.

The following sets forth the high and low closing sales prices of Class A Common Stock for the period indicated, as reported by the relevant stock exchange composite tapes:

2000	High	Low
First Quarter	\$ 5 1/8	\$ 3 9/16
Second Quarter	\$ 5 1/8	\$ 4
Third Quarter	\$ 7 3/16	\$ 4 15/16
Fourth Quarter	\$ 6 1/2	\$ 5 1/8
2001	High	Low
First Quarter	\$ 6.00	\$ 5.19
Second Quarter	\$ 6.60	\$ 5.30
Third Quarter	\$ 7.00	\$ 4.05
Fourth Quarter	\$ 5.82	\$ 3.65

On March 1, 2002, the last reported sales price of the Class A Common Stock on the AMEX was \$5.90. On March 1, 2002, the Company had approximately 1,500 beneficial owners of Class A Common Stock of which approximately 250 are holders of record of Class A Common Stock.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

The selected consolidated financial information of the Company for the 2001, 2000, 1999, 1998 and 1997 fiscal years has been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Company, which statements have been audited by Arthur Andersen LLP, independent public accountants. The information presented next should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report. The Company's fiscal year ends on the Friday nearest December 31.

Selected Consolidated Financial Information*(in thousands, except per share amounts, ratios and hotel data)*

Fiscal year ended	2001	2000	1999	1998	1997
Revenues					
Rooms (a)	\$ 266,353	\$ 267,596	\$ 279,807	\$ 211,989	\$ 195,296
Food and beverage	118,042	119,865	101,231	91,982	86,183
Meeting room rental and other (b)	52,263	49,113	40,646	35,003	31,795
Total revenues	436,658	436,574	371,684	338,974	313,274
Operating expenses					
Direct operating costs and expenses (c)					
Rooms	68,061	68,224	59,507	54,600	50,265
Food and beverage	94,690	98,398	84,035	77,018	73,383
Other	3,288	3,716	3,667	3,389	3,395
General, administrative, sales and management service expenses (d, e)	131,522	124,393	104,876	95,500	85,766
Repairs and maintenance	17,847	17,065	15,059	13,436	12,578
Depreciation and amortization	62,174	53,367	45,669	45,580	34,781
Total operating expenses	377,582	365,163	312,813	289,525	260,158
Income from operations	59,076	71,411	58,871	49,449	53,116
Other (income) expenses					
Interest expense and amortization of deferred financing fees, net	70,975	73,833	62,209	57,296	44,325
Gain on property disposition (f)	---	---	(2,365)	(8,175)	---
Income (Loss) before minority interest, provision for income taxes, extraordinary item and cumulative effect of change in accounting principle (g, m)	(11,899)	(2,422)	(973)	338	8,791
Minority interest in (earnings) losses of partnership	9,044	1,736	698	(242)	(6,302)
Income (Loss) before provision for income taxes, extraordinary item and cumulative effect of change in accounting principle	(2,855)	(686)	(275)	96	2,489
Provision for income taxes (h)	(150)	(150)	(150)	(120)	(75)
Income (Loss) before extraordinary item and cumulative effect of change in accounting principle	\$ (3,005)	\$ (836)	\$ (425)	\$ (24)	\$ 2,414
Basic and diluted income (loss) per share of common stock before extraordinary item and cumulative effect of change in accounting principle	\$ (0.59)	\$ (0.16)	\$ (0.07)	\$ ----	\$ 0.38

Continued
(in thousands, except per share amounts, ratios and hotel data)

Fiscal year ended	2001	2000	1999	1998	1997
Other data					
EBITDA (i)	\$ 121,250	\$ 124,778	\$ 104,540	\$ 95,029	\$ 87,897
Net cash provided by operating activities	51,070	36,374	41,294	43,494	27,769
Net cash used in investing activities	(39,658)	(45,584)	(100,216)	(92,925)	(193,271)
Net cash provided by (used in) financing activities	(23,786)	5,637	62,416	53,703	161,014
Margin and ratio data					
EBITDA margin (% of total revenue) (i)	27.8%	28.6%	28.1%	28.0%	28.1%
Earnings to fixed charges ratio (j)	0.84x	0.96x	0.89x	0.91x	0.97x
Operating data					
Owned hotels					
Number of hotels	47	47	45	42	45
Number of rooms	11,633	11,633	11,067	10,293	11,108
Average occupancy	62.9%	64.4%	62.9%	62.1%	62.9%
Average daily room rate (ADR)	\$ 100.07	\$ 98.56	\$ 94.87	\$ 91.38	\$ 82.38
Room revenue per available room (RevPAR) (k)	\$ 62.90	\$ 63.50	\$ 59.64	\$ 56.79	\$ 51.84
Increase in yield (l)	(0.9)%	6.5%	5.0%	9.5%	5.3%
Balance sheet data					
Total assets	\$ 881,724	\$ 920,884	\$ 934,312	\$ 876,486	\$ 816,733
Total debt, including current portion	813,007	836,707	829,843	759,716	695,791
Minority interest of holders of the LP units	14,111	23,515	25,251	27,392	39,399
Equity	7,194	10,242	13,855	17,847	18,508

(a) Includes revenues derived from rooms.

(b) Includes meeting room rental, management fees for providing management services to the Managed Hotels and other.

(c) Includes expenses incurred in connection with rooms, food and beverage and telephones.

(d) Includes expenses incurred in connection with franchise fees, administrative, marketing and advertising, utilities, insurance, property taxes, rent and other.

(e) Includes expenses incurred providing management services to the Managed Hotels.

(f) Gain on sales includes six hotels sold February 6, 1998, one hotel sold December 31, 1998, and one hotel sold June 16, 1999.

(g) The 1998, 1999 and 2001 fiscal years do not include a \$2.2 million, \$0.2 million and \$0.5 million respectively, extraordinary charge related to early extinguishment of debt.

(h) The Company has been taxed as a C Corporation on its portion of the Partnership's earnings.

(i) EBITDA represents earnings before net interest expense, provision for income taxes (if applicable) and depreciation and amortization. EBITDA is used by the Company for the purpose of analyzing its operating performance, leverage and liquidity. Such data are not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to net earnings as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity.

(j) Earnings used in computing the earnings to fixed charges ratios consist of net income plus fixed charges. Fixed charges consist of interest expense and that portion of rental expense representative of interest (deemed to be one-third of rental expense).

(k) Total room revenue divided by number of available rooms. Available rooms represent the number of rooms available for rent multiplied by the number of days in the period presented.

(l) Increase in yield represents the period-over-period increases in yield. Yield is defined as the room revenue per available room (RevPAR).

(m) The Company adopted a new accounting pronouncement in 1999 which requires cost of start-up activities, including pre-opening expenses, to be expensed as incurred. The 1999 fiscal year does not include a \$1.2 million charge related to the change in accounting.

Management's Discussion and Analysis of Financial Condition and Results of Operations

GENERAL

The following discussion and analysis primarily addresses results of operations of the Company for the fiscal years ended December 28, 2001 ("2001"), December 29, 2000 ("2000") and December 31, 1999 ("1999"). The following discussion should be read in conjunction with the selected consolidated financial information of the Company and the consolidated financial statements of the Company included elsewhere herein.

The Company's consolidated financial statements include revenues from the Owned Hotels and management fee revenues for providing management services to the Managed Hotels. References to the JQH Hotels include both the Owned Hotels and the Managed Hotels. Revenues from the Owned Hotels are derived from rooms, food and beverage, meeting rooms and other revenues. The Company's beverage revenues include only revenues from the sale of alcoholic beverages, while revenues from the sale of non-alcoholic beverages are shown as part of food revenues. Direct operating costs and expenses include expenses incurred in connection with the direct operation of rooms, food and beverage and telephones. General, administrative, sales and management services expenses include expenses incurred from franchise fees, administrative, sales and marketing, utilities, insurance, property taxes, rent, management services and other expenses.

From 1997 through 2001, the Company's total revenues grew at an annual compounded growth rate of 8.7%, from \$313.3 million to \$436.7 million. Occupancy for the Owned Hotels during that period remained constant at 62.9%. However, the Owned Hotels' average daily room rate (ADR) increased by 21.5% from \$82.38 to \$100.07 during that period. Room revenue per available room (RevPAR) increased by 21.3% from \$51.84 to \$62.90.

In general, Owned Hotels opened during the period from 1997 to 2001 increased overall average room rate, while occupancy during this same period remained relatively constant. The Company tracks the performance of the Owned Hotels in two groups. One group of hotels are those opened by the Company during the current and prior fiscal years (the "New Hotels"). During 2001, the New Hotels included two hotels opened in 2000. The remainder of the Owned Hotels, excluding the New Hotels, are defined as Mature Hotels. In 2001, the Mature Hotels included 45 hotels opened prior to 2000. New hotels typically generate positive cash flow from operations before debt service in the first year, generate cash sufficient to service mortgage debt in the second year and create positive cash flow after debt service in the third year.

Results of Operations of the Company*(in thousands, except per share amounts, ratios and hotel data)*

Fiscal year ended	2001	2000	1999	1998	1997
Owned hotels					
Average occupancy	62.9%	64.4%	62.9%	62.1%	62.9%
Average daily room rate (ADR)	\$100.07	\$ 98.56	\$ 94.87	\$ 91.38	\$ 82.38
Room revenue per available room (RevPAR)	\$ 62.90	\$ 63.50	\$ 59.64	\$ 56.79	\$ 51.84
Available rooms (a)	4,234,594	4,213,947	3,853,403	3,733,166	3,767,387
Number of hotels	47	47	45	42	45
Mature hotels					
Average occupancy	62.7%	65.1%	64.7%	64.1%	63.8%
Average daily room rate (ADR)	\$ 99.50	\$ 96.90	\$ 93.60	\$ 86.50	\$ 79.80
Room revenue per available room (RevPAR)	\$ 62.36	\$ 63.09	\$ 60.57	\$ 55.41	\$ 50.90
Available rooms (a)	4,028,570	3,669,239	3,332,718	3,012,845	3,388,896
Number of hotels	45	41	37	32	37
New hotels					
Average occupancy	66.4%	59.9%	51.0%	54.1%	55.3%
Average daily room rate (ADR)	\$110.55	\$ 110.68	\$ 105.25	\$ 115.55	\$ 108.97
Room revenue per available room (RevPAR)	\$ 73.37	\$ 66.29	\$ 53.70	\$ 62.54	\$ 60.21
Available rooms (a)	206,024	544,708	520,685	720,321	378,491
Number of hotels	2	6	8	10	8
Percentages of total revenues					
Rooms	61.0%	61.3%	61.8%	62.6%	62.3%
Food and beverage	27.0%	27.5%	27.3%	27.1%	27.5%
Meeting room rental and other	12.0%	11.2%	10.9%	10.3%	10.2%
Total revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Operating expenses					
Direct operating costs and expenses					
Rooms	15.6%	15.6%	16.0%	16.1%	16.0%
Food and beverage	21.7%	22.5%	22.6%	22.7%	23.4%
Other	0.8%	0.9%	1.0%	1.0%	1.1%
General, administrative, sales and management service expenses	30.1%	28.5%	28.2%	28.2%	27.4%
Repairs and maintenance	4.1%	3.9%	4.1%	4.0%	4.0%
Depreciation and amortization	14.2%	12.2%	12.3%	13.4%	11.1%
Total operating expenses	86.5%	83.6%	84.2%	85.4%	83.0%
Income from operations	13.5%	16.4%	15.8%	14.6%	17.0%

(a) Available rooms represent the number of rooms available for rent multiplied by the number of days in the period reported or, in the case of New Hotels, the number of days the hotel was open during the period reported. Fiscal years above each contained 52 weeks, or 364 days.

2001 FISCAL YEAR COMPARED TO 2000 FISCAL YEAR

Total revenues increased slightly to \$436.7 million in 2001 from \$436.6 million in 2000. Of total revenues, 61.0% were revenues from rooms, compared to 61.3% in 2000. Revenues from food and beverage represented 27.0% of total revenues in 2001, compared to 27.5% in 2000, and revenues from meeting room rental and other represented 12.0% of total revenues in 2001 and 11.2% in 2000.

Rooms revenues decreased slightly to \$266.4 million in 2001 from \$267.6 million in 2000, a decrease of \$1.2 million, or 0.4% as a result of the softer economy in late 2001 and the decreased travel related to the September 11, 2001 terrorist attacks. Average daily room rates (ADR) of Mature Hotels increased to \$99.50 in 2001 from \$96.90 in 2000. Occupancy in the Mature Hotels decreased 2.4 percentage points to 62.7% in 2001, compared to 65.1% in 2000. The Mature Hotels' room revenue per available room (RevPAR) decreased to \$62.36 in 2001 from \$63.09 in 2000, a decrease of \$0.73, or 1.2%. In 2001, the New Hotels included two hotels, which generated RevPAR of \$73.37, up 10.7% from the 2000 RevPAR of \$66.29, when six New Hotels were open. In general, management believes the New Hotels are more insulated from the effects of new hotel supply than are the Mature Hotels, since the New Hotels utilize franchise brands that are considered to be more upscale in nature, and the New Hotels have higher-quality guest rooms and public spaces.

Food and beverage revenues decreased to \$118.0 million in 2001 from \$119.9 million in 2000, a decrease of \$1.9 million, or 1.6%. This decrease was primarily related to the lower occupancy.

Meeting room rental and other revenues increased to \$52.3 million in 2001 from \$49.1 million in 2000, an increase of \$3.2 million, or 6.5%. This increase was primarily due to the movement of business conventions to secondary markets and increased management fees from recently opened managed hotels.

Direct operating costs and expenses for rooms decreased to \$68.1 million in 2001 from \$68.2 million in 2000, a decrease of \$0.1 million, or 0.1%. As a percentage of rooms revenues, these expenses increased slightly to 25.6% in 2001 from 25.5% in 2000. The dollar decrease was related to variable costs that decline as rooms revenues decrease.

Direct operating costs and expenses for food and beverage decreased to \$94.7 million in 2001 from \$98.4 million in 2000, a decrease of \$3.7 million, or 3.8%, and decreased as a percentage of food and beverage revenues to 80.3% from 82.1% in 2000. The dollar decrease was due to decreased costs associated with the lower volume of sales and the decrease as a percentage of food and beverage revenues was related to improved inventory and labor controls.

Direct operating costs and expenses for other were \$3.3 million in 2001 and \$3.7 million in 2000, a 10.8% decrease. As a percentage of meeting room rental and other revenues, these expenses were 6.3% in 2001 and 7.5% in 2000. The decrease resulted from lower telephone expenses during 2001.

General, administrative, sales and management service expenses increased to \$131.5 million in 2001 from \$124.4 million in 2000, an increase of \$7.1 million, or 5.7%, and increased as a percentage of total revenues to 30.1% in 2001 from 28.5% in 2000. The increases in these expenses were primarily attributable to higher utility, insurance and guest frequency program costs during 2001 and other fees associated with the moisture related problems, as discussed in Liquidity and Capital Resources.

Repairs and maintenance expenses increased to \$17.8 million in 2001 from \$17.1 million in 2000, an increase of \$0.7 million, or 4.1%, and increased slightly as a percentage of revenues to 4.1% in 2001 from 3.9% in 2000.

Depreciation and amortization increased by \$8.8 million, or 16.5%, to \$62.2 million in 2001 from \$53.4 million in 2000. As a percentage of total revenues, these expenses increased to 14.2% in 2001 from 12.2% in 2000. The increase was primarily related to the additional charge to depreciation expense resulting from the moisture related issues, as discussed in Liquidity and Capital Resources.

Income from operations decreased to \$59.1 million in 2001 from \$71.4 million in 2000, a decrease of \$12.3 million, or 17.2%. As a percentage of total revenues, income from operations was 13.5% in 2001, compared to 16.4% in 2000. The change related primarily to decreased revenues due to a softer economy in 2001 and the additional depreciation expense, as discussed above.

Interest expense and amortization of deferred financing fees decreased to \$71.0 million in 2001 from \$73.8 million in 2000, a decrease of \$2.8 million, or 3.8%. The decrease was attributable to lower interest rates and the Company's use of excess cash to reduce debt by approximately \$23.7 million during the fiscal year.

Loss before minority interest, provision for income taxes and extraordinary item was \$11.9 million in 2001 compared to \$2.4 million in 2000, an increase of \$9.5 million.

Net loss for 2001 was \$3.1 million, compared to \$0.8 million in 2000.

2000 FISCAL YEAR COMPARED TO 1999 FISCAL YEAR

Total revenues increased to \$436.6 million in 2000 from \$371.7 million in 1999, an increase of \$64.9 million, or 17.5%. Of total revenues recognized in 2000, 61.3% were revenues from rooms, compared to 61.8% in 1999. Revenues from food and beverage represented 27.5% of total revenues recognized in 2000, compared to 27.3% in 1999, and revenues from meeting room rental and other represented 11.2% of total revenues in 2000, and 10.9% in 1999.

Rooms revenues increased to \$267.6 million in 2000 from \$229.8 million in 1999, an increase of \$37.8 million, or 16.4%, as a result of a full year of operation for the four hotels opened in 1999 and an increase in both the average daily room rate and occupancy of the Mature Hotels. Average daily room rates (ADR) of Mature Hotels increased to \$96.90 in 2000 from \$93.60 in 1999. The occupancy in the Mature Hotels increased 0.4 percentage points to 65.1% in 2000, compared to 64.7% in 1999. The Mature Hotels' room revenue per available room (RevPAR) improved to \$63.09 in 2000 from \$60.57 in 1999, an increase of \$2.52, or 4.2%. In 2000, the New Hotels included six hotels, which generated RevPAR of \$66.29, up 23.4% from the 1999 RevPAR of \$53.70, when eight new hotels were opened.

Food and beverage revenues increased to \$119.9 million in 2000 from \$101.2 million in 1999, an increase of \$18.7 million, or 18.5%. This increase was primarily due to revenues associated with the New Hotels.

Meeting room rental and other revenues increased to \$49.1 million in 2000 from \$40.6 million in 1999, an increase of \$8.5 million, or 20.9%. This increase was primarily due to the additional meeting space in the New Hotels.

Direct operating costs and expenses for rooms increased to \$68.2 million in 2000 from \$59.5 million in 1999, an increase of \$8.7 million, or 14.6%. As a percentage of rooms revenue, these expenses decreased slightly to 25.5% in 2000 from 25.9% in 1999. The increased expense was associated with the New Hotels. These costs generally represent a higher percentage of rooms revenue in newer hotels until these hotels reach stabilized occupancy levels.

Direct operating costs and expenses for food and beverage increased to \$98.4 million in 2000 from \$84.0 million in 1999, an increase of \$14.4 million, or 17.1%, but decreased as a percentage of food and beverage revenues to 82.1% in 2000 from 83.0% in 1999. The dollar increase was due to costs associated with the higher volume of sales associated with the New Hotels.

Direct operating costs and expenses for other were \$3.7 million in both 2000 and 1999. As a percentage of meeting room rental and other revenues, these expenses decreased to 7.5% in 2000 from 9.1% in 1999.

General, administrative, sales and management service expenses increased to \$124.4 million in 2000 from \$104.9 million in 1999, an increase of \$19.5 million, or 18.6%. Increases in these expenses were primarily attributable to expenses associated with the opening of new hotels in 1999. A large portion of expenses associated with new hotel openings are fixed costs in nature. As a result, these expenses rise faster than revenues in the first one to two years of operation. As a percentage of total revenues, these expenses increased slightly to 28.5% in 2000 from 28.2% in 1999.

Repairs and maintenance expenses increased to \$17.1 million in 2000 from \$15.1 million in 1999, an increase of \$2.0 million, or 13.2%, but decreased as a percentage of revenues to 3.9%, compared to 4.1% in 1999.

Depreciation and amortization increased by \$7.7 million, or 16.8%, to \$53.4 million in 2000 from \$45.7 million in 1999. As a percentage of total revenues, these expenses decreased slightly to 12.2% in 2000 compared to 12.3% in 1999. The dollar increase was a direct result of the increased level of capital expenditures for the New Hotels.

Income from operations increased to \$71.4 million in 2000 from \$58.9 million in 1999, an increase of \$12.5 million, or 21.2%. As a percentage of total revenues, income from operations was 16.4% in 2000, compared to 15.8% in 1999, due to improved profit margins.

Interest expense and amortization of deferred financing fees, net increased to \$73.8 million in 2000 from \$62.2 million in 1999, an increase of \$11.6 million, or 18.6%. The increase was attributable to debt associated with the financing of the New Hotels.

Loss before minority interest, provision for income taxes, extraordinary item and cumulative effect of change in accounting principle was \$2.4 million in 2000 compared to \$1.0 million in 1999, an increased loss of \$1.4 million. The 1999 results include a \$2.4 million gain on the sale of one Holiday Inn in June 1999.

Net loss for 2000 was \$0.8 million, compared to \$1.0 million in 1999. In 1999, the Company recognized an extraordinary item of \$0.06 million related to debt restructuring. The Company's 1999 results also reflect a \$0.5 million cumulative effect of a change in accounting principle to expense unamortized pre-opening costs.

LIQUIDITY AND CAPITAL RESOURCES

In general, the Company has financed its operations through internal cash flow, loans from financial institutions, the issuance of public debt and equity and the issuance of industrial revenue bonds. The Company's principal uses of cash are to pay operating expenses, service debt and fund capital expenditures.

At December 28, 2001, the Company had \$33.2 million of cash and equivalents and also had \$11.0 million of marketable securities, compared to \$45.6 million in cash and cash equivalents and \$3.6 million of marketable securities at the end of 2000. Such amounts are available for working capital requirements of the Company.

Net cash provided by operating activities increased to \$51.1 million at the end of 2001 from \$36.4 million at the end of 2000, an increase of \$14.7 million, or 40.4%, primarily as the result of a reduction of construction expenditures of approximately \$12.1 million in 2001 from 2000 and an increase in depreciation expense of \$8.8 million. These variances were partially offset by the increase in losses in 2001.

The Company incurred net capital expenditures of \$32.1 million (approximately \$8.4 million of which was related to correcting the moisture related issues discussed below) and \$43.5 million, respectively, for 2001 and 2000. Capital expenditures typically include capital improvements on existing hotel properties and expenditures for development of new hotels. Capital expenditures of \$32.1 million during 2001 were for existing hotels, compared to \$21.5 million for new hotel development and \$22.0 million for existing hotels in 2000. During 2002, the Company expects capital expenditures to approximate \$23.6 million.

During fiscal 2000, the Company initiated claims against certain of its construction service providers, as well as with its insurance carrier. These claims resulted from costs the Company incurred and expected to incur in order to address moisture related problems caused by water intrusion through defective windows at nine of the Company's hotel properties. In December 2001, the Company initiated legal actions in an effort to collect claims previously submitted. Subsequent to the filing of the legal action, the insurance carrier notified the Company that a portion of its claims had been denied. As of December 28, 2001, the Company had incurred approximately \$8.4 million of an estimated \$12.0 million of costs to correct the underlying moisture problem. The Company and its legal counsel will continue to vigorously pursue collection of these costs; however, in the fourth quarter the Company recorded additional depreciation expense of approximately \$6.1 million to bring the total charge for the year to \$7.6 million (which is the total estimated impact) to reserve the net historical costs of the hotel property assets refurbished absent any recoveries. To the extent recoveries are realized, they will be recorded as a component of other income.

At the end of 2001, total debt was \$813.0 million, compared with \$836.7 million in 2000. The decrease is attributable to the Company's debt reduction program during 2001. The current portion of long-term debt was \$38.9 million at the end of 2001, compared with \$56.3 million at the end of 2000. Of the 2001 current portion of long-term debt, \$23.0 million is attributable to the Omaha Embassy Suites property, which is expected to be refinanced prior to its maturity in August 2002. Options are being explored for the refinancing of the two outstanding First Mortgage Notes, due in 2004 and 2005.

The Company expects 2002 capital requirements to be funded by cash, cash flow from operations and refinancing of certain existing hotels. Based upon current plans, the Company anticipates that its capital resources will be adequate to satisfy its 2002 capital requirements for normal recurring capital improvement projects. The Company remains cautiously optimistic about its performance in the first and second quarters of 2002. January RevPAR in 2002 was down 7.0% compared to January 2001, yet EBITDA from hotels increased 8.5% over the same period. First quarter revenues and EBITDA are expected to be comparable to 2001, and potentially improve as economic recovery continues. The Company is expected to produce cash as it has historically, which will be used to fund capital expenditures, reduce debt and further deleverage the Company in 2002.

The Company did not distribute or accrue any amounts in 2001 or 2000 for income taxes. Distributions by the Company must be made in accordance with the provisions of the Indentures.

We discuss recent accounting pronouncements and their potential effects on the Company in Note 2(f), and we discuss financial transactions with related parties in Note 3, of Notes to Consolidated Financial Statements.

SEASONALITY

Demand is affected by normally recurring seasonal patterns. For most of the JQH Hotels, demand is higher in the spring and summer months (March through October) than during the remainder of the year. Accordingly, the Company's operations are seasonal in nature, with lower revenue, operating profit and cash flow in the first and fourth quarters due to decreased travel during the winter months.

INFLATION

The rate of inflation as measured by changes in the average consumer price index has not had a material effect on the revenues or operating results of the Company during the three most recent fiscal years.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to changes in interest rates primarily as a result of its investing and financing activities. Investing activity includes operating cash accounts and investments, with an original maturity of three months or less, and certain balances of various money market and common bank accounts. The financing activities of the Company are comprised of long-term fixed and variable rate debt obligations utilized to fund business operations and maintain liquidity. The following table presents the principal cash repayments and related weighted average interest rates by maturity date for the Company's long-term fixed and variable rate debt obligations as of December 28, 2001:

Expected Maturity Date (in millions)	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value(d)
Long-Term Debt (a)								
\$300 million								
First Mortgage Notes	\$ ---	\$ ---	\$ 295	\$ ---	\$ ---	\$ ---	\$ 295	\$ 295
Average interest rate (b)	8.9%	8.9%	8.9%				8.9%	
\$90 million								
First Mortgage Notes	\$ ---	\$ ---	\$ ---	\$ 79	\$ ---	\$ ---	\$ 79	\$ 81
Average interest rate (b)	9.8%	9.8%	9.8%	9.8%			9.8%	
Other fixed-rate debt obligations	\$ 36	\$ 55	\$ 7	\$ 8	\$ 8	\$ 209	\$ 323	\$ 323
Average interest rate (b)	8.6%	8.3%	8.3%	8.3%	8.3%	8.6%	8.5%	
Other variable-rate debt obligations	\$ 3	\$ 29	\$ 48	\$ 1	\$ 11	\$ 24	\$ 116	\$ 116
Average interest rate (c)	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	

(a) Includes amounts reflected as long-term debt due within one year.

(b) For the long-term fixed rate debt obligations, the weighted average interest rate is based on the stated rate of the debt that is maturing in the year reported. The weighted average interest rate excludes the effect of the amortization of deferred financing costs.

(c) For the long-term variable rate debt obligations, the weighted average interest rate assumes no changes in interest rates and is based on the variable rate of the debt, as of December 28, 2001, that is maturing in the year reported. The weighted average interest rate excludes the effect of the amortization of deferred financing costs.

(d) The fair values of long-term debt obligations approximate their respective historical carrying amounts except with respect to the \$90 million First Mortgage Notes. The fair value of the first mortgage note issues is estimated by obtaining quotes from brokers.

Report of Independent Public Accountants**TO THE STOCKHOLDERS OF JOHN Q. HAMMONS HOTELS, INC.:**

We have audited the accompanying consolidated balance sheets of John Q. Hammons Hotels, Inc. and Companies (Note 1) as of December 28, 2001 and December 29, 2000, and the related consolidated statements of operations, changes in minority interest and stockholders' equity and cash flows for each of the three fiscal years ended December 28, 2001, December 29, 2000 and December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of John Q. Hammons Hotels, Inc. and Companies (Note 1) as of December 28, 2001 and December 29, 2000, and the results of their operations and their cash flows for each of the three fiscal years ended December 28, 2001, December 29, 2000 and December 31, 1999 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2(t) to the consolidated financial statements, effective in the first quarter of fiscal 1999, the Company changed its method of accounting for costs of start-up activities, including preopening expenses.

Arthur Andersen LLP

Cincinnati, Ohio
February 8, 2002

Consolidated Balance Sheets

(All amounts are in thousands of dollars)

Assets		
Fiscal year end	2001	2000
Cash and equivalents (restricted cash of \$882 and \$715 in 2001 and 2000, respectively) (Note 2)	\$ 33,180	\$ 45,554
Marketable securities (Note 2)	11,016	3,617
Receivables		
Trade, less allowance for doubtful accounts of \$231 in 2001 and 2000	10,771	11,606
Pending insurance claims and other (Note 2)	824	2,438
Management fees (Note 3)	148	101
Inventories	1,288	1,496
Prepaid expenses and other	3,446	2,396
Total current assets	<u>60,673</u>	<u>67,208</u>
Property and equipment, at cost (Notes 2, 5 and 6)		
Land and improvements	61,140	58,229
Buildings and improvements	745,277	740,618
Furniture, fixtures and equipment	312,079	297,946
Construction in progress	1,868	----
	<u>1,120,364</u>	<u>1,096,793</u>
Less: Accumulated depreciation and amortization	<u>(326,906)</u>	<u>(273,535)</u>
	<u>793,458</u>	<u>823,258</u>
Deferred financing costs, franchise fees and other, net (Notes 2, 4 and 5)	27,593	30,418
Total assets	<u>\$ 881,724</u>	<u>\$ 920,884</u>

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

Consolidated Balance Sheets**Liabilities and equity**
Fiscal year end**Liabilities**

	2001	2000
Current portion of long-term debt (Note 5)	\$ 98,862	\$ 100,000
Accounts payable	5,678	6,115
Accrued expenses		
Payroll and related benefits	7,307	6,172
Sales and property taxes	11,680	11,542
Insurance (Notes 2 and 3)	2,308	5,202
Interest	11,989	17,439
Philips, franchise fees and other	6,152	6,717
Total current liabilities	83,934	104,035
Long-term debt (Note 5)	774,145	780,449
Other obligations (Note 2)	2,340	2,033
Total liabilities	860,419	887,127

Commitments and contingencies (Note 6)

Minority interest of holders of limited partner units (Note 1)	14,111	23,515
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Stockholders' equity (Notes 1 and 6)

Preferred Stock, \$.01 par value, 2,000,000 shares authorized, none outstanding	---	---
Class A Common Stock, \$.01 par value, 40,000,000 shares authorized at December 28, 2001 and December 29, 2000, 6,042,000 shares issued at December 28, 2001 and December 29, 2000, and 4,782,179 and 4,770,419 shares outstanding at December 28, 2001 and December 29, 2000, respectively	60	60
Class B Common Stock, \$.01 par value, 1,000,000 shares authorized, 294,100 shares issued and outstanding	3	3
Paid-in capital	96,373	96,373
Retained deficit, net	(83,539)	(80,420)
Less: Treasury Stock, at cost; 1,259,821 and 1,271,581 shares at December 28, 2001 and December 29, 2000, respectively	(5,703)	(5,774)
Total equity	7,194	10,242
Total liabilities and equity	\$ 881,724	\$ 920,884

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

Consolidated Statements of Operations*(Dollars omitted, except share data)*

Fiscal year ended	2001	2000	1999
Revenues			
Rooms	\$ 266,353	\$ 267,596	\$ 229,807
Food and beverage	118,042	119,865	101,231
Meeting room rental and other	52,263	49,113	40,646
Total revenues	<u>436,658</u>	<u>436,574</u>	<u>371,684</u>
Operating expenses (Notes 3, 4 and 5)			
Direct operating costs and expenses			
Rooms	68,061	68,224	59,507
Food and beverage	94,690	98,398	84,035
Other	3,288	3,716	3,667
General, administrative, sales and management service expenses	131,522	124,393	104,876
Repairs and maintenance	17,847	17,065	15,059
Depreciation and amortization (Note 2)	62,174	53,367	45,669
Total operating expenses	<u>377,582</u>	<u>365,163</u>	<u>312,813</u>
Income from operations	59,076	71,411	58,871
Other (income) expenses			
Interest expense and amortization of deferred financing fees, net of \$1,909, \$2,798 and \$3,161 of interest income in 2001, 2000 and 1999, respectively (Note 2)	70,975	73,833	62,209
Gain on sale of property and equipment	----	----	(2,365)
Loss before minority interest, provision for income taxes, extraordinary item and cumulative effect of change in accounting principle	(11,899)	(2,422)	(973)
Minority interest in losses of partnership (Note 1)	9,044	1,736	698
Loss before provision for income taxes, extraordinary item and cumulative effect of change in accounting principle	(2,855)	(686)	(275)
Provision for income taxes (Note 2(l))	(150)	(150)	(150)
Loss before extraordinary item and cumulative effect of change in accounting principle	(3,005)	(836)	(425)
Extraordinary item; cost of early extinguishment of debt, no applicable tax benefit (Note 5)	(114)	----	(55)
Loss before cumulative effect of change in accounting principle	(3,119)	(836)	(480)
Cumulative effect of change in accounting principle, no applicable tax benefit (Note 2(t))	----	----	(515)
Net loss allocable to the Company (Note 1)	\$ (3,119)	\$ (836)	\$ (995)
Basic and diluted loss per share (Note 2(p))			
Loss before extraordinary item and cumulative effect of change in accounting principle	\$ (0.59)	\$ (0.16)	\$ (0.07)
Extraordinary item	(0.02)	----	(0.01)
Cumulative effect of change in accounting principle	----	----	(0.08)
Loss allocable to the Company	<u>\$ (0.61)</u>	<u>\$ (0.16)</u>	<u>\$ (0.16)</u>
Weighted average shares outstanding	5,071,772	5,349,988	6,067,659

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

Consolidated Statements of Changes in Minority Interest and Stockholders' Equity (1)

(in thousands)

	Minority interest	Stockholders' Equity					Total
		Class A Common Stock	Class B Common Stock	Paid-in Capital	Company retained deficit after reorganization	Treasury Stock	
Balance, at January 1, 1999	\$ 27,392	\$ 60	\$ 3	\$ 96,373	\$ (78,589)	\$ ----	\$ 17,847
Net loss allocable to the Company	----	----	----	----	(995)	----	(995)
Minority interest in losses of partnership, after extraordinary item and cumulative effect of change in accounting principle of \$1,443	(2,141)	----	----	----	----	----	----
Treasury Stock purchased	----	----	----	----	----	(3,037)	(3,037)
Issuance of Common Stock to directors	----	----	----	----	----	40	40
Balance, at December 31, 1999	25,251	60	3	96,373	(79,584)	(2,997)	13,855
Net loss allocable to the Company	----	----	----	----	(836)	----	(836)
Minority interest in losses of the partnership	(1,736)	----	----	----	----	----	----
Treasury Stock purchased	----	----	----	----	----	(2,827)	(2,827)
Issuance of Common Stock to directors	----	----	----	----	----	50	50
Balance, at December 29, 2000	23,515	60	3	96,373	(80,420)	(5,774)	10,242
Net loss allocable to the Company	----	----	----	----	(3,119)	----	(3,119)
Minority interest in losses of the partnership, after extraordinary item of \$360	(9,404)	----	----	----	----	----	----
Issuance of Common Stock to directors	----	----	----	----	----	71	71
Balance, at December 25, 2001	\$ 14,111	\$ 60	\$ 3	\$ 96,373	\$ (83,539)	\$ (5,703)	\$ 7,194

(1) For the periods presented, there are no elements of other comprehensive income as defined by the Financial Accounting Standards, No. 130, Reporting Comprehensive Income.

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

Consolidated Statements of Cash Flows

(Amounts in millions)

Fiscal year ended	2001	2000	1999
Cash flows from operating activities			
Net loss allocable to the Company	\$ (3,119)	\$ (836)	\$ (995)
Adjustments to reconcile net loss to cash provided by operating activities			
Minority interest in losses of partnership	(9,044)	(1,736)	(698)
Depreciation, amortization and loan cost amortization	64,496	55,718	47,655
Extraordinary item (Note 5)	114	---	55
Cumulative effect of change in accounting principle (Note 2)	---	---	515
Gain on sale of property and equipment	---	---	(2,365)
Non-cash director compensation	71	50	40
Changes in certain assets and liabilities			
Receivables	2,402	(35)	73
Inventories	208	(147)	(144)
Prepaid expenses and other	(1,050)	(697)	(610)
Accounts payable	(364)	(5,887)	(1,264)
Accrued expenses	(2,951)	(2,686)	513
Other obligations	307	(7,370)	(1,481)
Net cash provided by operating activities	51,070	36,374	41,294
Cash flows from investing activities			
Additions to property and equipment	(32,101)	(43,499)	(123,620)
Franchise fees and other	(158)	(3,450)	15,353
Sale (purchase) of marketable securities	(7,399)	1,365	1,551
Proceeds from sales of property and equipment	---	---	6,500
Net cash used in investing activities	(39,658)	(45,584)	(100,216)
Cash flows from financing activities			
Proceeds from borrowings	48,936	24,436	104,477
Repayments of debt	(72,636)	(16,572)	(35,350)
Purchase of Treasury Stock	---	(2,827)	(3,037)
Distributions	---	---	(2,935)
Loan financing fees	(86)	---	(738)
Net cash provided by (used in) financing activities	(23,786)	5,037	62,416
Increase (decrease) in cash and equivalents	(12,374)	(4,173)	3,494
Cash and equivalents, beginning of period	45,554	49,727	46,233
Cash and equivalents, end of period	\$ 33,180	\$ 45,554	\$ 49,727
Supplemental disclosure of cash flow information			
Cash paid for interest, net of amounts capitalized	\$ 71,208	\$ 74,522	\$ 63,312

The accompanying notes to consolidated financial statements are an integral part of these consolidated statements.

Notes to Consolidated Financial Statements

(figures in millions, except share data)

1. BASIS OF PRESENTATION

- (a) **Entity matters**—The accompanying consolidated financial statements include the accounts of John Q. Hammons Hotels, Inc. and John Q. Hammons Hotels, L.P. and subsidiaries (collectively the Company or, as the context may require, John Q. Hammons Hotels, Inc. only). As of fiscal year end 2001, 2000 and 1999, the Company had 47, 47 and 45, respectively, hotels in operation of which, 30 in 2001, 30 in 2000 and 29 in 1999 operate under the Holiday Inn and Embassy Suites trade names. The Company's hotels are located in 20 states throughout the United States.

The Company was formed in September 1994 and had no operations or assets prior to its initial public offering of 6,042,000 Class A common shares at \$16.50 per share on November 23, 1994. Immediately prior to the initial public offering, Mr. John Q. Hammons (JQH) contributed approximately \$5 million in cash to the Company in exchange for 294,100 shares of Class B Common Stock (which represents approximately 72% of the voting control of the Company). The Company contributed the approximate \$96 million of net proceeds from the Class A and Class B Common Stock offerings to John Q. Hammons Hotels, L.P. (JQHLP) in exchange for an approximate 28% general partnership interest. Effective December 30, 2000, the Company exchanged 1,271,581 general partner units for funds advanced by JQHLP to the Company to repurchase 1,271,581 shares of the Company's Class A Common Stock. The number of general partner units exchanged is equivalent to the number of shares repurchased as outlined by the partnership agreement. As a result, the allocation percentages changed to approximately 24% for the Company and approximately 76% for the limited partner.

As the sole general partner of JQHLP, the Company exercises control over all decisions as set forth in the partnership agreement. The net income (loss) allocable to the Company reported in the accompanying consolidated statements of operations includes the Company's approximate 24% share in 2001 and 28% share in 2000 and 1999 of all JQHLP earnings (losses). The approximate 76% in 2001 and 72% in 2000 and 1999 minority interest attributable to the portion of the partnership not owned by the Company has been reflected as minority interest in the accompanying consolidated financial statements.

All significant balances and transactions between the entities and properties have been eliminated.

- (b) **Partnership and other matters**—A summary of selected provisions of the partnership agreement as well as certain other matters are summarized as follows:

Allocation of income, losses and distributions:

Pretax income, losses and distributions of JQHLP will generally be allocated pro rata between the Company, as general partner, and the limited partner interest beneficially owned by JQH based on their respective ownership interests in JQHLP. However, among other things, to the extent the limited partners were not otherwise committed to provide further financial support and pretax losses reported for financial reporting purposes were deemed to be of a continuing nature, the balance of the pretax losses would be allocated only to the Company, with any subsequent pretax income also to be allocated only to the Company until such losses had been offset. In addition, with respect to distributions, in the event JQHLP has taxable income, distributions are to be made in an aggregate amount equal to the amount JQHLP would have paid for income taxes had it been a C Corporation during the applicable period. Aggregate tax distributions will first be allocated to the Company, if applicable, with the remainder allocated to the limited partners. There were no distributions for taxes for the fiscal years ended 2001, 2000 and 1999.

Additional capital contributions:

In the event proceeds from the sale of the original twenty hotel properties (or applicable replacement collateral) which secure the \$300 million First Mortgage Notes (1994 notes) (Note 5) are insufficient to satisfy amounts due on the 1994 notes, JQH and Hammons, Inc. (as general partners at the time the 1994 notes were secured) are severally obligated to contribute up to \$135 million and \$15 million, respectively, to satisfy amounts due, if any. In the event proceeds from the sale of the original eight hotel properties (or applicable replacement collateral) which secure the \$90 million First Mortgage Notes (1995 notes) (Note 5) are insufficient to satisfy amounts due on the 1995 notes, JQH is obligated to contribute up to \$45 million to satisfy amounts due, if any. In addition, with respect to the original eleven hotel properties contributed by JQH concurrent with the public equity offering, JQH is obligated to contribute up to \$50 million in the event proceeds from the sale of these hotel properties (or applicable replacement collateral) are insufficient to satisfy amounts due on the then outstanding mortgage indebtedness related to these properties.

Notes to Consolidated Financial Statements*shares omitted, except where stated*Redemption of limited partner interests:

Subject to certain limitations, the limited partners of JQHLP have the right to require redemption of their limited partner interests at any time subsequent to November 1995. Upon redemption, the limited partners receive, at the sole discretion of the Company, one share of its Class A Common Stock for each limited partner unit tendered or the then cash equivalent thereof.

Additional general partner interest:

Upon the issuance by the Company of additional shares of its Common Stock, including shares issued upon the exercise of its stock options (Note 9), the Company will be required to contribute to JQHLP the net proceeds received and JQHLP will be required to issue additional general partner units to the Company in an equivalent number to the additional shares of Common Stock issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) **Cash and equivalents**—Cash and equivalents include operating cash accounts and investments, with an original maturity of three months or less, and certain balances of various money market and common bank accounts.

Restricted cash consists of certain funds maintained in escrow for property taxes and certain other obligations.

- (b) **Marketable securities**—Marketable securities consist of available-for-sale commercial paper and government agency obligations which mature or will be available for use in operations in 2002. These securities are valued at current market value which approximates cost. Realized gains and losses in 2001, 2000 and 1999, determined using the specific identification method, were nominal.
- (c) **Pending insurance claims**—During fiscal 2000, the Company initiated claims against certain of its construction contractors and its insurance carrier to recover repair costs related to moisture related problems at certain of its hotels. At December 29, 2000, \$1.7 million of these capital expenditures were classified as claims pending with insurance carrier and \$2.6 million of these capital expenditures were classified as deferred costs as claims to be filed with insurance carrier as management and its outside counsel were of the opinion that it was remote that these amounts would not be realized. In December 2001, the Company initiated legal action to collect the claims submitted to the insurance carrier. The insurance carrier subsequently notified the Company that a portion of its claims had been denied, while others are pending review and ultimate resolution. Accordingly, at December 28, 2001, the Company has reflected the \$8.4 million of capital expenditures to date as property additions and has recorded additional depreciation expense of \$7.6 million to fully reserve the net historical cost of all damaged property. The Company estimates an additional \$3.6 million of capital expenditures will be necessary to complete repair of the moisture related damage. The Company and its legal counsel will continue to vigorously pursue collection of these costs and, to the extent recoveries are realized, they will be recorded as other income.
- (d) **Allowance for doubtful accounts**—The following summarizes activity in the allowance for doubtful accounts on trade accounts receivable:

	Balance, beginning of period	Additions charged to costs and expenses	Deductions	Balance, end of period
Year ended, December 28, 2001	\$ 231	\$ 664	\$(664)	\$ 231
Year ended, December 29, 2000	226	558	(553)	231
Year ended, December 31, 1999	206	272	(252)	226

- (e) **Inventories**—Inventories consist of food and beverage items. These items are stated at the lower of cost, as determined by the first-in, first-out valuation method, or market.
- (f) **Deferred financing costs, franchise fees and other**—Franchise fees paid to the respective franchisors of the hotel properties are amortized on a straight-line basis over 10 to 20 years which approximates the terms of the respective agreements. Costs of obtaining financing are capitalized and amortized over the respective terms of the debt.

Notes to Consolidated Financial Statements

(Dollars omitted, except where stated)

The components of deferred financing costs, franchise fees and other are summarized as follows:

Fiscal year end	2001	2000
Deferred financing costs	\$ 21,650	\$ 21,732
Franchise fees	5,186	5,186
Management contract costs and other (Note 3(e))	1,942	1,455
Less: Accumulated amortization	(16,439)	(13,586)
	<u>12,339</u>	<u>14,787</u>
Deposits	14,771	12,543
Pending insurance claims (Note 2(c))	----	2,600
Restricted cash deposits, interest bearing, related to sales of hotels and a component of replacement collateral for 1994 and 1995 First Mortgage Notes	166	160
Other, net	317	328
	<u>\$ 27,593</u>	<u>\$ 30,418</u>

- (g) **Property and equipment**—Property and equipment are stated at cost (including interest, real estate taxes and certain other costs incurred during development and construction) less accumulated depreciation and amortization. Buildings and improvements are depreciated using the straight-line method while all other property is depreciated using both straight-line and accelerated methods. The estimated useful lives of the assets are summarized as follows:

	Lives in years
Land improvements	5-25
New buildings and improvements	10-40
Purchased buildings	25
Furniture, fixtures and equipment	3-10

Construction in progress includes refurbishment costs of certain hotel developments at December 28, 2001. There was no construction in progress at December 29, 2000.

The Company periodically reviews the carrying value of these assets and other long-lived assets and impairment losses are recognized when the expected undiscounted future cash flows are less than the carrying amount of the asset. Based on its most recent analysis, the Company believes no impairments existed at December 28, 2001.

Interest costs, construction overhead and certain other carrying costs are capitalized during the period hotel properties are under construction. Interest costs capitalized were \$0, \$504 and \$6,770 for the fiscal years ended 2001, 2000 and 1999, respectively. Costs incurred for prospective hotel projects ultimately abandoned are charged to operations in the period such plans are finalized. Costs of significant improvements are capitalized, while costs of normal recurring repairs and maintenance are charged to expense as incurred.

The accompanying 2001 consolidated financial statements include the land costs for 35 of the operating hotel properties. Land for 9 of the remaining 12 operating hotel properties is leased by the Company from unrelated parties over long-term leases. Land for the remaining three operating hotel properties is leased by the Company from a related party over long-term leases (Note 3(f)). Rent expense for all land leases was \$1,514, \$1,459 and \$1,109 for the fiscal years ended 2001, 2000 and 1999, respectively.

- (h) **Par operating equipment**—The Company's initial expenditures for the purchase of china, glassware, silverware, linens and uniforms are capitalized into furniture, fixtures and equipment and amortized on a straight-line basis over a three to five year life. Costs for replacement of these items are charged to operations in the period the items are placed in service.
- (i) **Advertising**—The Company expenses the cost of advertising associated with operating hotels as incurred. Advertising expense for 2001, 2000 and 1999 was approximately \$32,899, \$31,815 and \$26,834, respectively.
- (j) **Pensions and other benefits**—The Company contractually provides retirement benefits for certain union employees at two of its hotel properties under a union-sponsored defined benefit plan and a defined contribution plan. Contributions to these plans, based upon the provisions of the respective union contracts, approximated \$99, \$86 and \$77 for the fiscal years ended 2001, 2000 and 1999, respectively.

Notes to Consolidated Financial Statements*(Amounts in millions of dollars, except share data)*

The Company maintains an employee savings plan (a 401(k) plan) and matches a percentage of an employee's contributions. The Company's matching contributions are funded currently. The costs of the matching program and administrative costs charged to income were approximately \$647, \$506 and \$258 in 2001, 2000 and 1999, respectively. The Company does not offer any other post-employment or post-retirement benefits to its employees.

- (k) **Self-insurance**—The Company was self-insured for general liability and workers' compensation claims that occurred prior to November 1999 and October 1998, respectively. The Company became self-insured for medical coverage effective January 1999. Estimated costs related to these self-insurance programs are accrued based on known claims and projected settlements of unasserted claims. Subsequent changes in, among others, unasserted claims, claim costs, claim frequency, as well as changes in actual experience, could cause these estimates to change. See Note 3(c) for additional insurance coverage.

The Company has an \$800 irrevocable stand-by letter of credit agreement with a bank, which was required by an insurance carrier for the Company's self-insurance programs. The letter of credit expires in October 2002.

- (l) **Income taxes**—The Company's provision for income taxes for fiscal 2001, 2000 and 1999 is summarized as follows:

	2001	2000	1999
Currently payable	\$ 150	\$ 150	\$ 150
Deferred	---	---	---
Provision for income taxes	<u>\$ 150</u>	<u>\$ 150</u>	<u>\$ 150</u>

A reconciliation between the statutory federal income tax rate and the effective tax rate is summarized as follows:

	2001		2000		1999	
	Amount	Rate	Amount	Rate	Amount	Rate
Benefit for income taxes at the federal statutory rate	\$(971)	34%	\$(233)	34%	\$ (94)	34%
Tax provision allocable to general partner	971	(34)	233	(34)	94	(34)
Provision for state franchise taxes	150	(5)	150	(22)	150	(55)
Provision for income taxes	<u>\$ 150</u>	<u>(5)%</u>	<u>\$ 150</u>	<u>(22)%</u>	<u>\$ 150</u>	<u>(55)%</u>

At December 28, 2001 and December 29, 2000, the net deferred tax liability consisted of the following:

	2001	2000
Deferred tax assets:		
Estimated allocated tax basis in excess of the Company's proportionate share of the book value of JQHLP's net assets	\$ 3,499	\$ 4,303
Deferred tax liabilities	(1)	(1)
	<u>3,498</u>	<u>4,302</u>
Valuation allowance	(3,499)	(4,303)
Net deferred tax liability	<u>\$ (1)</u>	<u>\$ (1)</u>

The realization of the estimated deferred tax asset resulting from estimated tax basis in excess of the Company's proportionate share of the book value of JQHLP's net assets is dependent upon, among others, prospective taxable income allocated to the Company, disposition of the hotel properties subsequent to the end of a property's respective depreciable tax life and the timing of subsequent conversions, if any, of limited partnership units in JQHLP into Common Stock of the Company. Accordingly, a valuation allowance has been recorded in an amount equal to the estimated deferred tax asset associated with the differences between the Company's basis for financial reporting and tax purposes. Adjustments to the valuation allowance, if any, will be recorded in the periods in which it is determined the asset is realizable.

- (m) **Revenue recognition**—The Company recognizes revenues from its rooms, catering and restaurant facilities as earned on the close of business each day.

Notes to Consolidated Financial Statements

(Amounts in millions of U.S. dollars)

- (n) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- (o) **Fiscal year**—The Company's fiscal year ends on the Friday nearest December 31 which includes 52 weeks in 2001, 2000, and 1999.

The periods ended in the accompanying consolidated financial statements are summarized as follows:

Year	Fiscal year end
2001	December 28, 2001
2000	December 29, 2000
1999	December 31, 1999

- (p) **Earnings (Loss) per share**—Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is computed similar to basic except the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Options to purchase shares of Common Stock were outstanding during fiscal years 2001, 2000 and 1999 (Note 9).

The options were not included in the computation of diluted earnings per share since the options would be antidilutive and certain of the options' exercise prices were greater than the average market price of the common shares.

Since there are no dilutive securities, basic and diluted earnings (loss) per share are identical, thus a reconciliation of the numerator and denominator is not necessary.

- (q) **Segments**—The Company operates in one reportable segment, hospitality services.

- (r) **Reclassifications**—Certain prior years' amounts have been reclassified to conform with the 2001 presentation.

- (s) **Derivative financial instruments**—In the fourth quarter of fiscal 2000, the Company adopted the Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), which requires companies to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Adoption of this standard did not have a material impact on its reported financial position, results of operations, cash flows or related disclosures. See additional disclosures in Note 7.

- (t) **Accounting pronouncements**—In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" (SOP 98-5), which requires costs of start-up activities, including preopening expenses, to be expensed as incurred. Prior to January 1, 1999, the Company's practice was to defer those expenses until a hotel had commenced operations, at which time the costs, other than advertising costs which were expensed upon opening, were amortized over a one-year period. The Company adopted the provisions of this statement in the first quarter of fiscal 1999 and, as a result, cumulative unamortized preopening costs of \$500 were charged to expense net of \$1,300 of minority interest. Preopening expenses in 1999 approximated \$4,161 and are included in general, administrative, sales and management service expenses in the accompanying consolidated statements of operations.

In June 2001, the FASB issued Financial Accounting Standards Statement No. 142, "Goodwill and Other Intangible Assets," which addresses how intangible assets that are acquired individually, or with a group of other assets, should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of this statement are required to be applied starting with fiscal years beginning after December 15, 2001. The Company does not anticipate the adoption of this statement to have a significant impact on its consolidated financial position, results of operations, cash flows or related disclosures.

In October 2001, the Financial Accounting Standards Board issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This statement addresses financial accounting for the impairment or disposal of long-lived assets and requires that one accounting model be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. This standard is required to be adopted for the fiscal years beginning after December 15, 2001. As such, the Company is not required to adopt this standard until the fiscal year 2002. Management does not believe that the adoption of this standard will have a material impact on the financial position of the Company.

Notes to Consolidated Financial Statements

(All amounts in U.S. dollars unless otherwise stated)

3. RELATED PARTY TRANSACTIONS

- (a) **Hotel management fees**—In addition to managing the hotel properties included in the accompanying consolidated financial statements, the Company provides similar services for other hotel properties owned or controlled by JQH which included 9, 6 and 5 properties at December 28, 2001, December 29, 2000 and December 31, 1999, respectively. A management fee of approximately 3% to 5% of gross revenues (as defined) is paid to the Company by these hotels which aggregated approximately \$1,684, \$1,245 and \$844 for the fiscal years ended 2001, 2000 and 1999, respectively.
- (b) **Accounting and administrative services**—The hotels have contracted for accounting and other administrative services with Winegardner & Hammons, Inc. (WHI), a company related by common ownership. The accounting and administrative charges expensed by the hotel properties, included in administrative expenses, were approximately \$1,574, \$1,577 and \$1,440 for the fiscal years ended, 2001, 2000 and 1999, respectively.

In 1999, the Company negotiated a new contract with WHI to continue to provide accounting and administrative services through June 2002. Charges for these services provided by WHI will approximate \$35 per year for each hotel property for the duration of the agreement.

- (c) **Insurance coverage**—To supplement the Company's self-insurance programs, umbrella, property, auto, commercial liability, workers' compensation and, commencing in 1999, medical insurance is provided to the hotel properties under blanket commercial policies purchased by the Company or WHI covering hotel properties owned by JQHLP, JQH or managed by WHI. Generally, premiums allocated to each hotel property are based upon factors similar to those used by the insurance provider to compute the aggregate group policy premium. Insurance expense for the properties included in operating expenses was approximately \$7,341, \$3,578 and \$1,088 for the fiscal years ended 2001, 2000 and 1999, respectively. During fiscal 2000 and 1999, the Company realized continued favorable trends in insurance expense as a result of claims experience, rate improvements and favorable buyouts of several prior self-insured years.
- (d) **Allocation of common costs**—The Company and JQHLP incur certain hotel management expenses incidental to the operations of all hotels beneficially owned or controlled by JQH. These costs principally include the compensation and related benefits of certain senior hotel executives. Commencing in May of 1993, these costs were allocated by the Company to hotels not included in the accompanying consolidated statements, based on the respective number of rooms of all hotels owned or controlled by JQH. These costs approximated \$328, \$184 and \$132 for the fiscal years ended 2001, 2000 and 1999, respectively. Management considers these allocations to be reasonable.
- (e) **Transactions with stockholders and directors**—Advances to JQH as of December 28, 2001 approximated \$368 which were repaid subsequent to year end. There were no advances to JQH as of December 29, 2000.

During 2000, the Company's Board of Directors authorized the Company to enter into a five-year management contract with JQH whereby the Company would pay a maximum 12% of the total development costs of JQH's personally developed hotels for the opportunity to manage the hotels upon opening and the right to purchase the hotels in the event they are offered for sale. During fiscal 2001 and 2000, the Company paid \$487 and \$1,455, respectively, of additional costs in accordance with the management contract. These costs will be amortized over the five-year contract period. Amortization for these costs will commence upon the opening of the respective hotels. The hotel management fee received by the Company from these hotels is discussed in Note 3(a) above.

During 2001 and 2000, John Q. Hammons personally paid \$128 and \$49, respectively, to certain employees pursuant to the agreements.

- (f) **Summary of related party expenses**—The following summarizes expenses reported as a result of activities with related parties:

Fiscal year ending	2001	2000	1999
Expenses included within general, administrative, sales and management service expenses			
Accounting and administrative	\$ 1,574	\$ 1,577	\$ 1,440
Rental expenses (Note 6)	937	830	787
	<u>\$ 2,511</u>	<u>\$ 2,407</u>	<u>\$ 2,227</u>
Allocated insurance expense from the pooled coverage included within various operating categories			
Insurance other than medical	\$ 7,341	\$ 3,578	\$ 1,088
Medical, net of employee payments	<u>\$ 4,105</u>	<u>\$ 2,404</u>	<u>\$ 3,167</u>

Notes to Consolidated Financial Statements

(All amounts except share data in \$mill)

4. FRANCHISE AGREEMENTS

As of December 28, 2001 and December 29, 2000, 42 of the 47 operating hotel properties included in the accompanying consolidated balance sheets have franchise agreements with national hotel chains which require each hotel to remit to the franchisor monthly fees equal to approximately 3% to 6% of gross room revenues, as defined. Franchise fees expensed under these contracts were \$10,496, \$10,305 and \$8,478 for the fiscal years ended 2001, 2000 and 1999, respectively.

As part of the franchise agreements, each hotel also pays additional advertising, reservation and maintenance fees to the franchisor which range from 1% to 3.5% of gross room revenues, as defined. The amount of expense related to these fees included in the consolidated statements of operations as a component of sales expense was approximately \$8,975, \$9,021 and \$7,720 for the fiscal years ended 2001, 2000 and 1999, respectively.

5. LONG-TERM DEBT

The components of long-term debt are summarized as follows:

Fiscal year end	2001	2000
1994 First Mortgage Notes, interest at 8.875%, interest only payable February 15 and August 15, principal due February 15, 2004, secured by a first mortgage lien on the original 20 hotel properties (or applicable replacement collateral) and additional capital contributions of up to \$150 million by JQH and an entity under his control. (Note 1(b))	\$ 294,775	\$ 300,000
1995 First Mortgage Notes, interest at 9.75%, interest only payable April 1 and October 1, principal due October 1, 2005, secured by a first mortgage lien on the original six hotel properties (or applicable replacement collateral), a second mortgage lien on the original two hotel properties and additional capital contributions of up to \$45 million by JQH. (Note 1(b))	79,293	90,000
Development bonds, interest rates at 7.125%, payable in scheduled installments through August 2015, certain of the obligations are subject to optional acceleration by the bondholders, secured by certain hotel facilities, fixtures and an assignment of rents.	12,881	15,439
Mortgage notes payable to banks, insurance companies and a state retirement plan, fixed rates ranging from 7.5% to 9.5% payable in scheduled installments through April 2027, secured by certain hotel facilities, fixtures and an assignment of rents, with certain instruments subject to cross-collateralization provisions and, with respect to approximately \$280,909 and \$285,706 for 2001 and 2000, respectively, of mortgage notes, a personal guarantee of JQH.	303,237	308,793
Mortgage notes payable to banks, variable interest rates at LIBOR plus 2.25% to prime plus 0.50% payable in scheduled installments through February 2008, with a certain instrument subject to a ceiling and a floor, also with a certain instrument subject to an interest rate swap agreement (Note 7), secured by certain hotel facilities, fixtures and an assignment of rents, and with respect to approximately \$115,874 and \$117,184 for 2001 and 2000, respectively, of mortgage notes, a personal guarantee of JQH.	115,874	117,370
Other notes payable, interest at 8.125%, payable in scheduled installments through March 2003, secured by certain hotel improvements, furniture, fixtures and related equipment.	6,947	7,105
	813,007	836,707
	(38,862)	(56,258)
Less: Current portion	\$ 774,145	\$ 780,449

Notes to Consolidated Financial Statements*(dollars in millions, except share data)*

The indenture agreements relating to the 1994 and 1995 First Mortgage Notes include certain covenants which, among others, limit the ability of JQHLP and its restricted subsidiaries (as defined) to make distributions, incur debt and issue preferred equity interests, engage in certain transactions with its partners, stockholders or affiliates, incur certain liens, engage in mergers or consolidations and requires certain interest coverage ratios, as defined. In addition, certain of the other credit agreements include subjective acceleration clauses, and limit, among others, the incurrence of certain liens and additional indebtedness and require the achievement or maintenance of certain financial covenants. The 1994 and 1995 First Mortgage Notes and certain other obligations include scheduled prepayment penalties in the event the obligations are paid prior to their scheduled maturity.

The Company paid or refinanced approximately \$63,268, \$9,701 and \$28,000 of long-term debt in 2001, 2000 and 1999, respectively. In connection with these transactions, the Company incurred approximately \$474, \$0 and \$200, respectively, in charges related to the early extinguishment of debt of which \$114, \$0 and \$55, respectively, is allocable to the Company with the remaining charges applied to the minority interest. The Company's debt extinguishment charges have been reflected in the accompanying consolidated statements of operations as extraordinary items.

Scheduled maturities of long-term debt as of December 28, 2001 are summarized as follows:

Fiscal year ending	Amount
2002	\$ 38,862
2003	84,852
2004	349,589
2005	87,879
2006	18,775
Thereafter	233,050
	<u>\$ 813,007</u>

6. COMMITMENTS AND CONTINGENCIES

- (a) **Operating leases**—The hotel properties lease certain equipment and land from unrelated parties under various lease arrangements. In addition, the Company leases certain parking spaces at one hotel for the use of its patrons and is billed by the lessor based on actual usage. Rent expense for these non-related party leases was approximately \$3,114, \$3,311 and \$3,350 for the fiscal years ended 2001, 2000 and 1999, respectively, which has been included in general administrative, sales and management service expenses.

The Company operates two trade centers located in Joplin, Missouri, and Portland, Oregon. Both of the facilities in which these trade centers operate are owned by JQH. The lease agreement for the Joplin trade center stipulates nominal rentals for each of the fiscal years ended 2001, 2000 and 1999, and for each ensuing year through 2014. The lease agreement for the Portland facility extends through 2004 and requires minimum annual rents of \$300 to JQH. In addition, the Company leases office space in Springfield, Missouri, from a partnership (of which JQH is partner). Annual payments for 2001 were approximately \$247 beginning January 1, 2002. The Company extended the leases for the home office for a term expiring December 31, 2004, for approximately \$250 per year. The Company has also entered into land leases with JQH for three operating hotel properties. Subject to the Company exercising purchase options provided under these agreements, these leases extend through 2008, 2036 and 2045, respectively, and require aggregate minimum annual payments of approximately \$390. Rent expense for these related party leases was approximately \$937, \$890 and \$787 for the fiscal years ended 2001, 2000 and 1999, respectively.

The minimum annual rental commitments for noncancelable operating leases at December 28, 2001 are as follows:

Fiscal year ending	JQH	Other	Total
2002	\$ 943	\$ 1,679	\$ 2,622
2003	943	968	1,911
2004	948	734	1,682
2005	395	605	1,000
2006	395	495	890
Thereafter	9,945	38,321	48,266
	<u>\$ 13,569</u>	<u>\$ 42,302</u>	<u>\$ 56,371</u>

Notes to Consolidated Financial Statements

Notes omitted, except where noted

- (b) **Hotel development** --Currently, the Company does not have any hotels under construction nor does it have any plans to start construction.
- (c) **Stock repurchase** -- On December 1, 1998, the Board of Directors authorized the Company to repurchase up to \$3,000 of the outstanding stock at market prices during fiscal 1999. On November 30, 1999, the Board of Directors authorized the Company to repurchase up to an additional \$3,000 of the outstanding stock at market prices during fiscal 2000. No stock repurchase program was approved for 2001. At December 28, 2001, the Company has repurchased \$5,703 of the total authorized to be repurchased, net of reissuances of stock.
- (d) **Legal matters** --The Company is party to various legal proceedings arising from its consolidated operations. Management of the Company believes that the outcome of these proceedings, individually and in the aggregate, will have no material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

7. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

During 2001, the Company has entered into an interest rate swap agreement in order to manage its interest rate risk on a long-term bank borrowing approximating \$27.665 discussed in Note 5. The initial notional amount under the swap agreement was also \$27.665. This notional amount is scheduled to decline over the life of the swap agreement consistent with the scheduled maturities of long-term debt. The swap agreement is scheduled to expire in October 2003 concurrent with maturing of debt. The notional amount of this agreement was \$27.610 at December 28, 2001. The fixed interest rate (company pay rate) per the agreement is 5.5%. The floating interest rate for the agreement (company receive rate) is a variable rate tied to LIBOR plus 2.25% (4.4% at December 28, 2001).

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of marketable securities and long-term debt approximate their respective historical carrying amounts except with respect to the 1994 and 1995 First Mortgage Notes for which the aggregate fair market value was approximately \$376,000 and \$353,000 at December 28, 2001 and December 29, 2000, respectively. The fair value of the First Mortgage Notes issued is estimated by obtaining quotes from brokers.

9. STOCK OPTIONS

Concurrent with the sale of equity securities in November 1994, the Company adopted a stock option plan for its employees. The plan authorizes the issuance of up to 2,416,800 shares of Class A Common Stock. In 1998, options were granted under the provisions of the 1994 stock option plan at fair market value as of the date of the grant (\$7.38 weighted average price per share), and are generally exercisable over periods not exceeding ten years and vested over a four year period. In 2001 and 2000, additional options were granted under the provisions of the 1994 stock option plan at fair market value as of the date of the grant (\$5.48 and \$5.00 weighted average price per share, respectively), and are generally exercisable over periods not exceeding ten years and vested over a four year period. (See Note 1(b) Additional General Partner Interest.)

Notes to Consolidated Financial Statements*Amounts omitted, except share data*

A summary of the changes in options outstanding during 2001, 2000 and 1999 is as follows:

	Number of shares	Weighted average price per share
Outstanding at January 1, 1999	1,069,500	\$ 7.38
Granted	----	----
Exercised	----	----
Expired	(118,000)	7.38
Outstanding at December 31, 1999	951,500	7.38
Granted	846,500	5.00
Exercised	----	----
Expired	(186,800)	6.55
Outstanding at December 29, 2000	1,611,200	6.12
Granted	160,000	5.48
Exercised	----	----
Expired	(121,700)	6.96
Outstanding at December 28, 2001	1,649,500	\$ 5.99
Exercisable at December 28, 2001	714,875	\$ 6.62

The Company accounts for this option plan under APB Opinion No. 25, under which no compensation cost has been recognized. In accordance with Financial Accounting Standards Board Statement No. 123, (SFAS No. 123) "Accounting for Stock-Based Compensation", the Company is required, at a minimum, to report pro forma disclosures of expense for stock-based awards based on their fair values. Had compensation cost been determined consistent with SFAS No. 123, the Company's net loss and diluted loss per share for the years ended December 28, 2001, December 29, 2000 and December 31, 1999 would have been as follows:

Fiscal year ending	2001	2000	1999
Net loss			
As reported	\$ (3,119)	\$ (836)	\$ (995)
Pro forma	(3,392)	(1,099)	(1,214)
Basic and diluted loss per share			
As reported	\$ (0.61)	\$ (0.16)	\$ (0.16)
Pro forma	(0.67)	(0.21)	(0.20)

In accordance with the provisions of Statement 123, in estimating the pro forma amounts, the fair value method of accounting was not applied to options granted prior to January 1, 1995.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Fiscal year ending	2001	2000	1999
Dividend yield	0%	0%	0%
Expected volatility	36.70%	38.45%	33.50%
Risk-free interest rate	4.73%	6.25%	5.67%
Expected lives	7.5 years	7.5 years	7.5 years

The options granted in 2001, 2000 and 1998 under the 1994 plan to employees have a weighted average exercise price of \$5.48, \$5.00 and \$7.38, respectively, a weighted average fair value of \$2.71, \$2.71 and \$3.59 per option, respectively, and have an average contractual life of 8.3 years at December 28, 2001.

Notes to Consolidated Financial Statements*(Dollars omitted, except where noted)***10. SUBSEQUENT EVENT**

Subsequent to December 28, 2001, the Company has agreed to purchase approximately 12,000 general partner units from JQHLP with the proceeds from the issuance of the Company's Common Stock to the Board of Directors. The number of general partner units to be purchased is equivalent to the number of shares issued as outlined by the partnership agreement. Had the units been purchased in fiscal 2001, the effect would not have had a material impact on the net loss.

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarters	First	Second	Third	Fourth
2001				
Total revenues	\$ 115,309	\$ 116,950	\$ 100,255	\$ 104,144
Income from operations	19,485	20,884	9,367	9,340
Net income (loss) allocable to the Company	267	650	(2,108)	(1,928)
Basic earnings (loss) per share	0.05	0.13	(0.42)	(0.38)
Diluted earnings (loss) per share	0.05	0.12	(0.42)	(0.38)
Basic weighted average shares	5,064,564	5,070,073	5,076,174	5,076,279
Diluted weighted average shares	5,129,418	5,284,969	5,076,174	5,076,279
2000				
Total revenues	\$ 104,124	\$ 114,498	\$ 108,523	\$ 109,429
Income from operations	15,413	22,125	16,916	16,957
Net income (loss) allocable to the Company	(758)	846	(511)	(413)
Basic and diluted earnings (loss) per share	(0.14)	0.16	(0.10)	(0.08)
Basic and diluted weighted average shares	5,525,760	5,459,790	5,271,002	5,143,400

John Q. Hammons Hotels, Inc. Portfolio

Embassy Suites

Charleston, West Virginia
Columbia, South Carolina
Dallas (DFW North), Texas
Des Moines, Iowa
Greensboro, North Carolina
Greenville, South Carolina
Kansas City (International Airport), Missouri
Lincoln, Nebraska*
Little Rock, Arkansas
Montgomery, Alabama
North Charleston, South Carolina
Omaha, Nebraska
Portland (Airport), Oregon
Raleigh/Durham, North Carolina
Seaside (Monterey Bay), California
Tampa, Florida
Nashville (South), Tennessee*

Hampton Inn & Suites

Mesquite, Texas
Springdale, Arkansas

Homewood Suites

Greensboro, North Carolina
Kansas City (International Airport), Missouri

Resorts

Chateau on the Lake, Branson, Missouri
World Golf Village Renaissance Resort, St. Augustine, Florida

Independents

University Plaza, Bowling Green, Kentucky
Collins Plaza, Cedar Rapids, Iowa
Capitol Plaza, Jefferson City, Missouri
Capitol Plaza, Topeka, Kansas

Renaissance

Charlotte, North Carolina
Oklahoma City, Oklahoma
Richardson (Dallas), Texas*

Sheraton

Sioux Falls, South Dakota*

Radisson

Coral Springs, Florida
Davenport, Iowa
Houston (Hobby Airport), Texas

Marriott

Madison, Wisconsin
Tucson, Arizona

Crowne Plaza

Albuquerque, New Mexico

Holiday Inn

Bakersfield, California (Holiday Inn Select)
Beaumont, Texas
Denver (International Airport), Colorado
Denver (Northglenn), Colorado
Emeryville (Bay Bridge), California
Fort Collins, Colorado
Joplin, Missouri
Portland (International Airport), Oregon
Rapid City, South Dakota*
Reno, Nevada
Sacramento, California
Sioux Falls, South Dakota*
Springdale, Arkansas
Springfield (North), Missouri
Springfield (University Plaza), Missouri*
Tucson (International Airport), Arizona
West Des Moines, Iowa

Courtyard by Marriott

Springfield, Missouri*

Residence Inn by Marriott

Springfield, Missouri*

* Managed Hotel

Independent Auditors

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10-K Availability

The Company will furnish to any shareholder, without charge, a copy of the Company's Annual Report or Form 10-K as filed with the Securities and Exchange Commission for the year ended **December 28, 2001**, upon written request to:

Investor Relations
John Q. Hammons Hotels, Inc.
300 John Q. Hammons Parkway
Suite 900
Springfield, Missouri 65806
or investorrelations@jqh.com



John Q Hammons
HOTELS & RESORTS

John Q. Hammons Hotels, Inc., 300 John Q. Hammons Parkway, Suite 900, Springfield, Missouri 65806
Telephone: (417) 864-4300 Web site: www.jqhhotels.com

Albuquerque Embassy Suites 8/30/02 13:52	Year 1		Year 2		Year 3		Year 4		Year 5	
# Rooms	261		261		261		261		261	
Rooms Available	95,265		95,265		95,265		95,265		95,265	
Rooms Occupied	66,686		67,638		69,543		70,496		70,496	
Occupancy	70.0%		71.0%		73.0%		74.0%		74.0%	
Average Room Rate	\$127.00		\$133.35		\$140.02		\$144.92		\$149.99	
Gross Revenue	11,198,988		11,885,557		12,787,303		13,416,236		13,885,804	
ROOMS DEPARTMENT										
Rooms Revenue	8,469,059	100.0%	9,019,547	100.0%	9,737,300	100.0%	10,216,162	100.0%	10,573,727	100.0%
Rooms Expense: Labor Cost	1,609,121	19.0%	1,533,323	17.0%	1,557,968	16.0%	1,634,586	16.0%	1,691,796	16.0%
Other	762,215	9.0%	766,662	8.5%	808,196	8.3%	766,212	7.5%	793,030	7.5%
Total Expenses	2,371,336	28.0%	2,299,985	25.5%	2,366,164	24.3%	2,400,798	23.5%	2,484,826	23.5%
Rooms Other Income	33,343		35,172		37,553		39,478		40,860	
Rooms Profit	6,131,065	72.4%	6,754,735	74.9%	7,408,690	76.1%	7,854,842	76.9%	8,129,761	76.9%
TELEPHONE DEPT										
Revenue	187,386	100.0%	196,715	100.0%	209,336	100.0%	219,630	100.0%	227,317	100.0%
Cost	97,441	52.0%	98,358	50.0%	94,201	45.0%	87,852	40.0%	90,927	40.0%
Telephone Profit	89,945	48.0%	98,358	50.0%	115,135	55.0%	131,778	60.0%	136,390	60.0%
FOOD & BEVERAGE DEPT										
Food Revenue	1,625,000	100.0%	1,705,902	100.0%	1,815,344	100.0%	1,904,619	100.0%	1,971,281	100.0%
Food Expenses: Food Cost	528,125	32.5%	545,889	32.0%	571,833	31.5%	599,955	31.5%	620,953	31.5%
Labor Cost	585,000	36.0%	580,007	34.0%	580,910	32.0%	590,432	31.0%	611,097	31.0%
Other	162,500	10.0%	170,590	10.0%	163,381	9.0%	171,416	9.0%	177,415	9.0%
Total Food Expenses	1,275,625	78.5%	1,296,485	76.0%	1,316,124	72.5%	1,361,803	71.5%	1,409,466	71.5%
Other Income	409,200		429,572		457,131		479,612		496,399	
Food Profit	758,575	46.7%	838,989	49.2%	956,351	52.7%	1,022,429	53.7%	1,058,214	53.7%
Beverage Revenue	475,000	100.0%	498,648	100.0%	530,639	100.0%	556,735	100.0%	576,220	100.0%
Bev Expenses: Bev Cost	128,250	27.0%	129,649	26.0%	132,660	25.0%	133,616	24.0%	138,293	24.0%
Labor Cost	71,250	15.0%	69,811	14.0%	68,983	13.0%	66,808	12.0%	69,146	12.0%
Entertainment	9,500	2.0%	9,973	2.0%	10,613	2.0%	11,135	2.0%	11,524	2.0%
Other	52,250	11.0%	48,868	9.8%	49,880	9.4%	50,106	9.0%	51,860	9.0%
Total Beverage Expenses	261,250	55.0%	258,300	51.8%	262,136	49.4%	261,665	47.0%	270,824	47.0%
Beverage Profit	213,750	45.0%	240,348	48.2%	268,503	50.6%	295,069	53.0%	305,397	53.0%
Food & Beverage Profit	972,325	46.3%	1,079,337	49.0%	1,224,854	52.2%	1,317,498	53.5%	1,363,611	53.5%
GROSS OPERATING PROFIT										
	7,193,335	64.2%	7,932,429	66.7%	8,748,679	68.4%	9,304,118	69.3%	9,629,762	69.3%
GENERAL & UNDISTRIBUTED										
Admin & General	951,914	8.5%	962,730	8.1%	997,410	7.8%	1,006,218	7.5%	1,041,435	7.5%
Franchise Fee	338,762	3.0%	360,782	3.0%	389,492	3.0%	408,646	3.0%	422,949	3.0%
Management Fee	335,970	3.0%	356,567	3.0%	383,619	3.0%	402,487	3.0%	416,574	3.0%
Marketing	839,924	7.5%	831,989	7.0%	831,175	6.5%	804,974	6.0%	833,148	6.0%
Heat, Light & Power	481,556	4.3%	487,308	4.1%	498,705	3.9%	509,817	3.8%	522,562	3.8%
Repairs & Maintenance	358,368	3.2%	415,994	3.5%	485,918	3.8%	536,649	4.0%	555,432	4.0%
Total General & Undistributed	3,306,494	29.5%	3,415,370	28.7%	3,586,318	28.0%	3,668,792	27.3%	3,792,101	27.3%
HOUSE PROFIT										
	3,886,841	34.7%	4,517,059	38.0%	5,162,361	40.4%	5,635,326	42.0%	5,837,661	42.0%
Real Estate Taxes	310,000	2.8%	320,850	2.7%	332,080	2.6%	343,703	2.6%	355,732	2.6%
Insurance	82,000	0.7%	86,100	0.7%	90,405	0.7%	94,925	0.7%	99,672	0.7%
Total Other	392,000	3.5%	406,950	3.4%	422,485	3.3%	438,628	3.3%	455,404	3.3%
NOI										
	3,494,841	31.2%	4,110,109	34.6%	4,739,876	37.1%	5,196,698	38.7%	5,382,257	38.8%
Rent	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Interest	2,703,915	24.1%	2,666,972	22.4%	2,626,963	20.5%	2,583,634	19.3%	2,536,708	18.3%
Depreciation/Amortization	2,730,276	24.4%	1,965,246	16.5%	2,026,710	15.8%	2,115,729	15.8%	2,233,457	16.1%
Total	5,434,191	48.5%	4,632,218	39.0%	4,653,673	36.4%	4,699,362	35.0%	4,770,165	34.4%
NET INCOME/(LOSS)										
	-1,939,349	-17.3%	-522,109	-4.4%	86,203	0.7%	497,336	3.7%	612,092	4.4%
ADD: Depr, Interest, & Mgmt Fee										
	5,770,160	51.5%	4,988,785	42.0%	5,037,292	39.4%	5,101,849	38.0%	5,186,739	37.4%
LESS: Capital Reserve										
	111,990	1.0%	237,711	2.0%	383,619	3.0%	536,649	4.0%	694,290	5.0%
CASH AVAIL FOR DEBT SVC										
	3,718,821	33.2%	4,228,965	35.6%	4,739,876	37.1%	5,062,536	37.7%	5,104,541	36.8%
DEBT SERVICE										
Land Rent	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Amortization of Loan	3,149,010	28.1%	3,149,010	26.5%	3,149,010	24.6%	3,149,010	23.5%	3,149,010	22.7%
TOTAL DEBT SERVICE	3,149,010	28.1%	3,149,010	26.5%	3,149,010	24.6%	3,149,010	23.5%	3,149,010	22.7%
Cash Flow After Debt Svc										
	569,811		1,079,955		1,590,866		1,913,526		1,955,531	
Debt Service Coverage Ratio										
	1.18		1.34		1.51		1.61		1.62	
ROI (Unleveraged)										
	8.3%		9.4%		10.5%		11.3%		11.3%	
Return on Equity										
	5.2%		9.8%		14.5%		17.4%		17.8%	

Albuquerque Embassy Suites 8/30/02 13:52		Year 6		Year 7		Year 8		Year 9		Year 10	
# Rooms	261			261		261		261		261	
Rooms Available	95,265			95,265		95,265		95,265		95,265	
Rooms Occupied	70,496			70,496		70,496		70,496		70,496	
Occupancy	74.0%			74.0%		74.0%		74.0%		74.0%	
Average Room Rate	\$155.24			\$160.67		\$166.30		\$172.12		\$178.14	
Gross Revenue	14,357,402			14,845,361		15,350,254		15,872,671		16,413,224	
ROOMS DEPARTMENT											
Rooms Revenue	10,943,808	100.0%		11,326,841	100.0%	11,723,281	100.0%	12,133,595	100.0%	12,558,271	100.0%
Rooms Expense: Labor Cost	1,751,009	16.0%		1,812,295	16.0%	1,875,725	16.0%	1,941,375	16.0%	2,009,323	16.0%
Other	820,786	7.5%		849,513	7.5%	879,246	7.5%	910,020	7.5%	941,870	7.5%
Total Expenses	2,571,795	23.5%		2,661,808	23.5%	2,754,971	23.5%	2,851,395	23.5%	2,951,194	23.5%
Rooms Other Income	42,290			43,770		45,302		46,887		48,528	
Rooms Profit	8,414,303	76.9%		8,708,803	76.9%	9,013,611	76.9%	9,329,088	76.9%	9,655,606	76.9%
TELEPHONE DEPT											
Revenue	235,274	100.0%		243,508	100.0%	252,031	100.0%	260,852	100.0%	269,982	100.0%
Cost	94,109	40.0%		97,403	40.0%	100,812	40.0%	104,341	40.0%	107,993	40.0%
Telephone Profit	141,164	60.0%		146,105	60.0%	151,219	60.0%	156,511	60.0%	161,989	60.0%
FOOD & BEVERAGE DEPT											
Food Revenue	2,040,275	100.0%		2,111,685	100.0%	2,185,594	100.0%	2,262,090	100.0%	2,341,263	100.0%
Food Expenses: Food Cost	642,687	31.5%		665,181	31.5%	688,462	31.5%	712,558	31.5%	737,498	31.5%
Labor Cost	632,485	31.0%		654,622	31.0%	677,534	31.0%	701,248	31.0%	725,792	31.0%
Other	183,625	9.0%		190,052	9.0%	196,703	9.0%	203,588	9.0%	210,714	9.0%
Total Food Expenses	1,458,797	71.5%		1,509,855	71.5%	1,562,700	71.5%	1,617,394	71.5%	1,674,003	71.5%
Other Income	513,773			531,755		550,366		569,629		589,566	
Food Profit	1,095,251	53.7%		1,133,585	53.7%	1,173,260	53.7%	1,214,325	53.7%	1,256,826	53.7%
Beverage Revenue	581,983	100.0%		587,803	100.0%	593,681	100.0%	599,617	100.0%	605,614	100.0%
Bev Expenses: Bev Cost	139,676	24.0%		141,073	24.0%	142,483	24.0%	143,908	24.0%	145,347	24.0%
Labor Cost	69,838	12.0%		70,536	12.0%	71,242	12.0%	71,954	12.0%	72,674	12.0%
Entertainment	11,640	2.0%		11,756	2.0%	11,874	2.0%	11,992	2.0%	12,112	2.0%
Other	52,378	9.0%		52,902	9.0%	53,431	9.0%	53,966	9.0%	54,505	9.0%
Total Beverage Expenses	273,532	47.0%		276,267	47.0%	279,030	47.0%	281,820	47.0%	284,638	47.0%
Beverage Profit	308,451	53.0%		311,535	53.0%	314,651	53.0%	317,797	53.0%	320,975	53.0%
Food & Beverage Profit	1,403,702	53.5%		1,445,120	53.5%	1,487,911	53.5%	1,532,122	53.5%	1,577,801	53.5%
GROSS OPERATING PROFIT	9,959,169	69.4%		10,300,028	69.4%	10,652,741	69.4%	11,017,721	69.4%	11,395,396	69.4%
GENERAL & UNDISTRIBUTED											
Admin & General	1,076,805	7.5%		1,113,402	7.5%	1,151,269	7.5%	1,190,450	7.5%	1,230,992	7.5%
Franchise Fee	437,752	0.0%		453,074	0.0%	468,931	0.0%	485,344	0.0%	502,331	0.0%
Management Fee	430,722	3.0%		445,361	3.0%	460,508	3.0%	476,180	3.0%	492,397	3.0%
Marketing	861,444	6.0%		890,722	6.0%	921,015	6.0%	952,360	6.0%	984,793	6.0%
Heat, Light & Power	535,626	3.7%		549,017	3.7%	562,743	3.7%	576,811	3.6%	591,231	3.6%
Repairs & Maintenance	574,296	4.0%		593,814	4.0%	614,010	4.0%	634,907	4.0%	656,529	4.0%
Total General & Undistributed	3,916,646	27.3%		4,045,390	27.3%	4,178,476	27.2%	4,316,052	27.2%	4,458,273	27.2%
HOUSE PROFIT	6,042,523	42.1%		6,254,639	42.1%	6,474,265	42.2%	6,701,668	42.2%	6,937,123	42.3%
Real Estate Taxes	368,183	2.6%		381,069	2.6%	394,407	2.6%	408,211	2.6%	422,498	2.6%
Insurance	104,655	0.7%		109,888	0.7%	115,382	0.8%	121,151	0.8%	127,209	0.8%
Total Other	472,838	3.3%		490,957	3.3%	509,789	3.3%	529,362	3.3%	549,707	3.3%
NOI	5,569,685	38.8%		5,763,682	38.8%	5,964,476	38.9%	6,172,306	38.9%	6,387,416	38.9%
Rent	0	0.0%		0	0.0%	0	0.0%	0	0.0%	0	0.0%
Interest	2,485,887	17.3%		2,430,848	16.4%	2,371,241	15.4%	2,306,686	14.5%	2,236,774	13.6%
Depreciation/Amortization	641,991	4.5%		727,733	4.9%	790,359	5.1%	830,900	5.2%	846,341	5.2%
Total	3,127,877	21.8%		3,158,580	21.3%	3,161,600	20.6%	3,137,587	19.8%	3,083,115	18.8%
NET INCOME/(LOSS)	2,441,808	17.0%		2,605,101	17.5%	2,802,877	18.3%	3,034,720	19.1%	3,304,301	20.1%
ADD: Depr, Interest, & Mgmt Fee	3,558,599	24.8%		3,603,941	24.3%	3,622,108	23.6%	3,613,767	22.8%	3,575,512	21.8%
LESS: Capital Reserve	717,870	5.0%		742,268	5.0%	767,513	5.0%	793,634	5.0%	820,661	5.0%
CASH AVAIL FOR DEBT SVC	5,282,537	36.8%		5,466,774	36.8%	5,657,471	36.9%	5,854,853	36.9%	6,059,151	36.9%
DEBT SERVICE											
Land Rent	0	0.0%		0	0.0%	0	0.0%	0	0.0%	0	0.0%
Amortization of Loan	3,149,010	21.9%		3,149,010	21.2%	3,149,010	20.5%	3,149,010	19.8%	3,149,010	19.2%
TOTAL DEBT SERVICE	3,149,010	21.9%		3,149,010	21.2%	3,149,010	20.5%	3,149,010	19.8%	3,149,010	19.2%
Cash Flow After Debt Svc	2,133,527			2,317,764		2,508,461		2,705,843		2,910,141	
Debt Service Coverage Ratio	1.68			1.74		1.80		1.86		1.92	
ROI (Unleveraged)	11.7%			12.2%		12.6%		13.0%		13.5%	
Return on Equity	19.4%			21.1%		22.9%		24.6%		26.5%	

		Debt Coverage Ratio	Cash Avail for Debt Svc	Total Debt Svc
Debt Service Coverage:	Year 1	1.18	3,718,821	3,149,010
	Year 2	1.34	4,228,965	3,149,010
	Year 3	1.51	4,739,876	3,149,010
	Year 4	1.61	5,062,536	3,149,010
	Year 5	1.62	5,104,541	3,149,010

Project Funding:	Equity	10,977,238	
	Mortgage	34,000,000	76% Loan to Value
			8.00% Interest Rate
	Total Funding	44,977,238	25 Amort Period

	Total Cost	Cost per Rm	
Project Cost:	Land	3,623,500	13,883
	FF&E	8,505,000	32,586
	Building	26,550,000	101,724
	Technical Fees	2,136,930	8,187
	Interest	2,540,425	9,733
	Pre-Opening	800,000	3,065
	Other	821,383	3,147
	Total Proj Cost	44,977,238	172,327

Construcion
Interest Rate
8.50%

ALBUQUERQUE CITY CLERK
RECEIVED

04 DEC 14 PM 12:35

The Martineztown Santa Barbara Neighborhood residents oppose the proposal by City Councilor Baca to Amend the boundary of Martineztown Santa Barbara CP0-7. This boundary provides economic opportunities to improve the neighborhood. The property currently can be developed under the Martineztown Santa Barbara boundaries and should not be approved to include in the downtown area or an island by itself. The residents also oppose the Downtown 2050 Redevelopment Plan removal of 101 Lomas NE and 229 Broadway NE to be placed in the 2050 Metropolitan Redevelopment Area Redevelopment Plan. These properties are in the historical Martineztown Santa Barbara MRA Plan and should remain part of this plan. The gross receipt taxes and tax increment financing for these properties shall remain in the historical Martineztown Santa Barbara MRA boundaries to help improve the neighborhood. The residents want to make sure this area benefits the residents of the neighborhood. The residents want to make sure 229 Broadway is developed with uses that complement and serve the neighborhood.

Name

Address

Phone Number

Evelyn Bonilla 907 Franciscan NE 87102 505 410 7668

Francella Jopla 713 Tranquillo Ct NE 87102 505 401 7033

Armando Paredes 1128 B Walter N.E 505-216-8362

Kenia Paredes 1127 Walter NE 505 270-7716

Jessie Lopez 1128 Walter St. NE 505-917-3712

Darryl Lucas 420 Bennett NE Ave 505-688-5266

Leann Harrison 531 San Ignacio Ct NE 505-259-1961

Debra Hearn 509 San Ignacio Ct NE 505 974 9686

Phillip HERN 509 San Ignacio Ct NE 505-238-1548

Linda Ramirez 1128 1/2 Walter St. 505-463-3321

Alfonso 2324 Broadway NE (605) 242-3386

Christina Apodaca 517 Marble NE 505-4594521

Joseph M. Hurtado 914 Franciscan NE 505-769-9915

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Name

Address

Phone Number

Rosalie Martinez 507 Rosemont NE (505) 417-4004
Andros Ayon 507 Rosemont NE 505-985-6660

Kalleg 1300 Walter NE 505-263-7698

Jacqueline Martinez 1300 Walter NE ABQ 505-489-6866

Evelyn Speakman 1300 Walter N.E AB

Yvonne Huelb 1501 Joanne Ct SW 505 977-3922

Paul Channon 1130 Walker St NE ABQ NM

Maria Cordova 1620 Lind School 87102

Jose Reyes 919 Arno NE 505 243-2040

Man Pung 920 Arno NE 505-243-8336

Deborah Segura 501 Sprunk 305-3406539

Glenn Chay 3035 Monroe 505-203-4548

Lupe Serrano 501 Sprunk (505) 340-6538

Belia Reyes 916 Arno NE 505 620-1408

Name	Address	Phone Number
JANET ALROY	919 FRANCISCAN STNE	505-306-8870

Phone Number

505-306-8870

Name	Address	Phone Number
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David Naranjo 720 Cordero R.d. NE 505-903-2014

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Second Presbyterian Church, 812 Edith NE Members:

Name	Address	Phone Number
Jean Braumhardt	6115 Nassif Ct NW, Aly	505-980-3853
Olga Joyce	2nd Pres Church	
Rene Mota	4915 Delonah Ave NW	505-734-4653
Jina Grigo	2325 Kimb Dr NE	505-720-5309
Beverly Chavez	5304 Cimarron Rd NW	505-688-6519
Patricia Silva	11404 Harrier Hawk Ave.	505-908-3057
Patricia Bixby	6421 Prairie NE ASD	505-433-2393
Yvette Salgado	5416 1st St NW	505-831-1966
Yvonne Salgado	5416 1st St NW	(505) 831-1966
Samuel T. Porras	2809 Wood Ct. NE	(505) 259-1040
Ella L. Porras	2809 Wood Ct N.E	(505) 974-5847
Karmen VanLyle	8205 Northridge Ave NE	(505) 301-0083
Charabelle Padilla	723 Affirmed St SW	(505) 203-9146

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Second Presbyterian Church, 812 Edith NE Members:

Name

Address

Phone Number

Jayne Clement 49 Hermanos Loop Los Lunas NM 87031

505/814-9379

Jean For Lopez 70 Mcray Loop Los Lunas NM 87031

505-363-5368

Robert Woodruff 5721 Elderberry Ct NE 87111

Aghed Y Mena 12109 Cashmore St NE. ALB

Debbie Byrnes 3825 Tracy N.C. Alb NM 87111

Yvette Salgado 5416 15th St NW. 505-831-1966

Nela S. Jimenez 1205 Nakomis Dr NE

Unit 6 87112

505 307 1797

Christine Martin 1305 2nd St SW (505) 712-9256

Edna T Martin 916 Tazanta Loop SE 505 927-9225

Joye C. Seavitt 944 Green Valley Rd NW

Mani Kenny 6533 Bastille Ave NW 87107

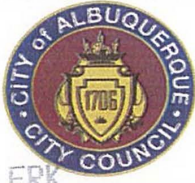
Karin Seavitt 87114

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Second Presbyterian Church 812 Edith NE Members:
 Name Address Phone Number

Linda Branger	12021 Skyline Rd NE	970 403 7015
Brandon Toujillo	9677 Eagle Ranch Blvd NE	505 804 3231
Susan Flynn	3 Pinon Pl. ^{Sandia Park}	734-709-4583
Allen Flynn	3 Pinon Pl. ^{Sandia Park}	734-709-4583
Mickey McHugh	817 Rio Arriba Ave SE	229-5439
Ted Martner	1509 Florida St NE	505/670-5839
Joe Mares	508 Fresno St SW	303/513/3680
Francis Chang	6415 Duero Pl NW	505/550/3886
Imelda Atencio	2406 Lakeview SW	505/239/3231
Donald Bixby	6421 Pucavio Rd NE	505/773/2861
Karla Woodruff	Second Presbyterian Church	505-715-7535
Mae Anderson	2517 Abby Jean Pl NW Albuquerque NM 87104	505-228-5320
Gloria Mirabal	12109 Rushmi St.	

R. 2025-002



CITY OF ALBUQUERQUE CITY COUNCIL

REC'D CITY CLERK
2025 JAN 8 AM 10:25

INTEROFFICE MEMORANDUM

TO: Ethan Watson, City Clerk

FROM: Isaac Padilla, Director, Council Services

SUBJECT: Mayor's Line-Item Veto of R-24-106; Adjusting Fiscal Year 2024 Appropriations For Certain Funds And Programs To Provide For Actual Expenditures; And Adjusting Fiscal Year 2025 Operating And Grant Appropriations (Peña, By Request)

DATE: January 8, 2025

Council Bill No. R-24-106 adopted by the Council on December 16, 2024 was line-item vetoed by the Mayor via EC-25-292.

On January 6, 2025 the Council Overrode the Mayor's line-item veto #1. Councilor Nichole Rogers made a motion to Override line-item #1 and this passed by a 6 FOR and 3 AGAINST vote.

For Override: Baca, Champine, Fiebelkorn, Lewis, Rogers, Sanchez
Against Override: Bassan, Grout, Peña

Council declined to Override the Mayor's line-item veto #2 by no motion or vote taken. Therefore, the Mayor's line-item veto #2 is sustained.

I have attached the resolution as adopted by the Council, signed by the Council President, and as line-item vetoed by the Mayor. Please process the enactment as soon as possible.

Additionally, I have attached the Mayor's veto, with notations of the two separate line-items for the record.

CITY of ALBUQUERQUE

TWENTY SIXTH COUNCIL

COUNCIL BILL NO. R-24-106 ENACTMENT NO. R. 2025.002

SPONSORED BY: Klarissa J. Peña, by request

1 RESOLUTION
2 ADJUSTING FISCAL YEAR 2024 APPROPRIATIONS FOR CERTAIN FUNDS AND
3 PROGRAMS TO PROVIDE FOR ACTUAL EXPENDITURES; AND ADJUSTING
4 FISCAL YEAR 2025 OPERATING AND GRANT APPROPRIATIONS.

5 WHEREAS, expenditures in certain funds in Fiscal Year 2024 are projected
6 to exceed appropriations; and

7 WHEREAS, fund balance or revenues are available to fund the over
8 expenditures or adjustments; and

9 WHEREAS, adjustments are required for Fiscal Year 2024 appropriations;
10 and

11 WHEREAS, appropriation adjustments for the operation of the City
12 government must be approved by the Council.

13 BE IT RESOLVED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF
14 ALBUQUERQUE:

15 Section 1. That the following amounts are hereby adjusted to certain
16 programs from unreserved fund balance, working capital balance and/or
17 additional revenues for Fiscal Year 2024:

18 GENERAL FUND – 110

19 Animal Welfare Department

20 Animal Care Center 558,000

21 Arts and Culture Department

22 Biological Park 1,571,000

23 Museum 264,000

24 Public Library 311,000

25 Strategic Support 196,000

26 City Support Department

1	Dues and Memberships	3,000
2	Early Retirement	2,537,000
3	Transfer to Other Funds:	
4	Operating Grants Fund (265)	723,000
5	Fire Department	
6	Emergency Response/Field Operations	2,584,000
7	Emergency Services	405,000
8	General Services Department	
9	Facilities	1,067,000
10	Security	907,000
11	Municipal Development Department	
12	Street Services-F110	421,000
13	Parks and Recreation Department	
14	Golf	500,000
15	Open Space Management	309,000
16	Park Management	806,000
17	Recreation	581,000
18	Police Department	
19	Investigative Services	1,472,000
20	Neighborhood Policing	2,261,000
21	Prisoner Transport	199,000
22	<u>MARIJUANA EQUITY AND COMMUNITY REINVESTMENT FUND – 202</u>	
23	Finance and Administrative Services Department	
24	Marijuana Equity and Community Reinvestment	650,000
25	<u>SENIOR SERVICES PROVIDER FUND – 250</u>	
26	Senior Affairs Department	
27	Senior Services Provider	280,000
28	<u>CITY/COUNTY FACILITIES FUND – 290</u>	
29	General Services Department	
30	Law Enforcement Center	563,000
31	<u>GENERAL OBLIGATION BOND DEBT SERVICE FUND – 415</u>	
32	City Support Functions	
33	General Obligation Bond Debt Service	434,000

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1 PARKING FACILITIES OPERATING FUND – 641

2 Municipal Development Department

3 Parking Services **49,000**

4 REFUSE DISPOSAL OPERATING FUND – 651

5 Solid Waste Management Department

6 Collections **2,168,000**

7 SPORTS STADIUM OPERATING FUND – 691

8 General Services Department

9 Stadium Operations **894,000**

10 GROUP SELF-INSURANCE FUND - 710

11 Human Resources Department

12 Group Self Insurance **3,633,000**

13 FLEET MANAGEMENT FUND - 725

14 General Services Department

15 Fleet Management **269,000**

16 Section 2. That the amount of \$215,000 is hereby reserved in the General
17 Fund for non-union – classified employee wage adjustments to bring associated
18 positions to the minimum compensation wage and identified priority positions
19 to the 15th percentile as determined by the Classification and Compensation
20 Study in Fiscal Year 2025. Upon approval, wage adjustment amounts will be
21 unreserved and appropriated to the respective departments and programs by
22 the Office of Management and Budget.

23 Section 3. That the following amounts are hereby appropriated to the
24 following programs from unreserved fund balance and/or working capital
25 balance for Fiscal Year 2025:

26 GENERAL FUND – 110

27 Animal Welfare Department

28 Animal Care Center **(20,000)**

29 Animal HEART **20,000**

30 City Support Department

31 Transfer to Other Funds:

32 Operating Grants Fund (265) **6,000,000**

33 Sales Tax Fund (405) **8,000**

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1	Community Safety Department	
2	Administrative Support	92,000
3	Finance and Administrative Department	
4	Office of Equity and Inclusion	(542,000)
5	General Services Department	
6	Energy and Sustainability	100,000
7	Health, Housing and Homelessness Department	
8	Affordable Housing	(6,000,000)
9	Emergency Shelter	2,000,000
10	Strategic Support	(97,000)
11	Legal Department	
12	Legal Services	534,000
13	Parks and Recreation Department	
14	Open Space Management	14,000
15	Park Management	83,000
16	Police Department	
17	Professional Accountability	(92,000)
18	Investigative Services	(113,000)
19	Youth and Family Services Department	
20	Community Recreation	(2,000,000)
21	Strategic Support	97,000
22	<u>MARIJUANA EQUITY AND COMMUNITY REINVESTMENT FUND – 202</u>	
23	Finance and Administrative Services Department	
24	Marijuana Equity and Community Reinvestment	121,000
25	<u>OPERATING GRANTS FUND – 265</u>	
26	Health, Housing and Homelessness Department	
27	Affordable Housing	6,000,000
28	Establishment of Reserved Fund: All funds appropriated for Affordable Housing	
29	within Fund (265) shall hereby be reserved. These funds shall not be expended,	
30	allocated, or otherwise appropriated without explicit approval from the City	
31	Council by Resolution.	
32	<u>LAW ENFORCEMENT PROTECTION PROJECTS FUND – 280</u>	
33	Police Department	

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1	Law Enforcement Protection Act	25,000
2	<u>GAS TAX ROAD FUND – 282</u>	
3	Municipal Development Department	
4	Street Services-F282	(1,762,000)
5	<u>SALES TAX REFUNDING DEBT SERVICE FUND – 405</u>	
6	City Support Department	
7	Sales Tax Debt Service	1,196,000

8 Section 4. That the following appropriations are hereby made to the Capital
9 Program to the specific fund and projects as indicated below for Fiscal Year
10 2025:

11	<u>Department/Fund</u>	<u>Source</u>	<u>Amount</u>
12	<u>METROPOLITAN REDEVELOPMENT AGENCY/FUND 275</u>		
13	Santa Barbara/Martineztown MRA Plan	Misc. Revenues	250,000

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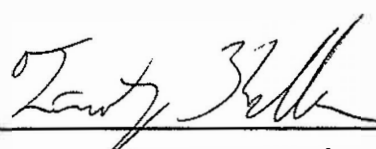
PASSED AND ADOPTED THIS 16th DAY OF December, 2024
BY A VOTE OF: 9 FOR 0 AGAINST.



Dan Lewis, President
City Council

APPROVED THIS 2 DAY OF January, 2025

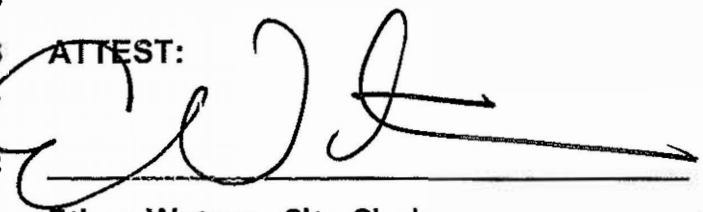
Bill No. R-24-106



Timothy M. Keller, Mayor
City of Albuquerque

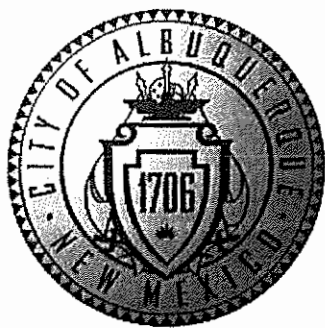
*-2 line item Vetoed
on page 4 and 5
K

ATTEST:



Ethan Watson, City Clerk

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CITY OF ALBUQUERQUE

Albuquerque, New Mexico

Office of the Mayor

INTER-OFFICE MEMORANDUM

November 22, 2024

TO: Dan Lewis, President, City Council

FROM: Timothy M. Keller, Mayor



SUBJECT: Resolution Adjusting Fiscal Year 2024 Appropriations for Certain Funds and Programs to Provide for Actual Expenditures and Adjusting Fiscal Year 2025 Operating, and Grant Appropriations

Attached is the annual mid-year clean-up legislation for certain operating and grant funds. The bill contains two major sections. The Fiscal Year 2024 section includes appropriation adjustments necessary to financially close Fiscal Year 2024 prior to submission of the Annual Comprehensive Financial Report (ACFR) to the New Mexico Office of the State Auditor. The Fiscal Year 2025 section contains operating and grant appropriation adjustments for the current year, some of which are technical in nature. In all cases, sufficient fund balance and revenue exists to cover any net increase in spending.

This legislation adjusts Fiscal Year 2024 program appropriations for certain funds where expenditures exceeded budgeted amounts. Sufficient fund balance and/or revenues exist to cover the adjustments. A description of each item is attached.

This legislation also includes a Fiscal Year 2025 section adjusting certain program appropriations by using new revenue, fund balance or are technical in nature. A description of each item is attached.

The Office of Management and Budget staff is available to review this material with you at your convenience.

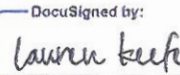
Resolution Adjusting Fiscal Year 2024 Appropriations for Certain Funds and Programs to Provide for Actual Expenditures and Adjusting Fiscal Year 2025 Operating, and Grant Appropriations.

Approved:

Approved as to Legal Form:

Initial
ASL  11/25/24

Dr. Samantha Sengel Date
Chief Administrative Officer

DocuSigned by:
 11/24/2024 | 1:13 PM MST

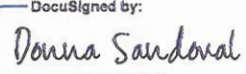
Lauren Keefe Date
City Attorney

Recommended:

 11/25/24

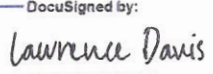
Kevin Sourisseau Date
Chief Financial Officer

Recommended:

DocuSigned by:
 11/24/2024 | 12:52 PM MST

Donna Sandoval Date
Director, Finance and Administrative Services

Recommended:

DocuSigned by:
 11/24/2024 | 11:25 AM MST

Lawrence L. Davis Date
Budget Officer, Finance and Administrative Services

Cover Analysis

1. What is it?

Resolution adjusting Fiscal Year 2024 appropriations for certain funds and programs to provide for actual expenditures and adjusting Fiscal Year 2025 operating and grant appropriations.

2. What will this piece of legislation do?

This legislation adjusts Fiscal Year 2024 program appropriations for certain funds where expenditures exceeded budgeted amounts and adjusts Fiscal Year 2025 operating and grant appropriations.

3. Why is this project needed?

The Fiscal Year 2024 section includes appropriation adjustments necessary to close-out 2024 prior to the submission of the Annual Comprehensive Financial Report (ACFR) to the State of New Mexico.

4. How much will it cost and what is the funding source?

The increase in appropriations in Fiscal Year 2024 is offset by revenue and available fund balance. For Fiscal Year 2025, appropriation adjustments are offset by revenue, fund balance, or are technical in nature.

5. Is there a revenue source associated with this Plan? If so, what level of income is projected?

In all cases, sufficient fund balance exists to cover any net increase in spending.

6. What will happen if the project is not approved?

If this resolution is not passed, associated funds will be over spent for Fiscal Year 2024, which is violation of budget regulations and an audit finding will likely occur.

7. Is this service already provided by another entity?

N/A



CITY OF ALBUQUERQUE

Department of Finance and Administrative Services

Mayor Timothy M. Keller

DESCRIPTION OF ADJUSTMENTS TO APPROPRIATIONS INCLUDED IN THE 2024 YEAR END CLEAN-UP RESOLUTION

SECTION 1 - FISCAL YEAR 2024 YEAR END CLEAN-UP

GENERAL FUND – 110

Animal Welfare Department

Increased appropriation of \$558,000 is needed for the Animal Welfare Department to account for overspent budgeted appropriations due to increased food and medicine costs for animals.

Arts and Culture Department

Increased appropriation of \$2,342,000 is needed for Arts & Culture programs that overspent due to increased costs for food and medicine at the BioPark; utilities costs across divisions; urgent and unbudgeted repairs; security equipment upgrades at libraries and museums; and increased private security costs at various libraries.

City Support Department

Increased appropriation of \$3,263,000 is needed for Early Retirement and operating grant costs that exceed budgeted appropriations.

Fire Department

Increased appropriation of \$2,524,000 is needed to account for Fire Department programs that overspent budgeted appropriations related to increases in medical supply costs, bunker gear and uniforms, annual fees and licenses, paramedic school, and utilities. A budget appropriation of \$465,000 to account for funds received in FY/24 from revenue generated for firefighter wildland deployments.

General Services Department

Increased appropriation of \$1,974,000 is needed to account for General Services Department programs that overspent budgeted appropriations due to facility operations, security overtime and temporary staff costs.

Municipal Development Department

Increased appropriation of \$421,000 is needed to account for Municipal Development Department programs that overspent budget appropriations related to operating and copper

theft costs. The City experienced a high volume of copper thefts during FY/24 resulting in additional repair/replacement costs over budgeted appropriations.

Parks and Recreation Department

Increased appropriation of \$2,195,000 is needed to account for Parks and Recreation Department programs that overspent budgeted appropriations related to cost increases for fertilizer and seed, supplies, repairs and maintenance, utilities, towable items, and the City running Puerto del Sol golf course rather than a concessionaire.

Police Department

Increased appropriations of \$1,317,000 is needed to account for Police Department programs that overspent budgeted appropriations due to cost associated with guarding prisoners in custody who require medical attention and are taken to the hospital; the renovation of the 2nd and 3rd floor of the main APD building; and the purchase of equipment to support the daily operations of the Police Department. A budget appropriation from available SID Operations fund balance of \$354,000 to account for overspent budgeted appropriations due to costs associated with general SID Operations.

MARIJUANA EQUITY AND COMMUNITY REINVESTMENT FUND – 202

Finance and Administrative Services Department

Appropriation of \$650,000 is needed due to the creation of the fund mid-year FY/24 without an appropriation. The appropriation is supported with available fund balance.

SENIOR SERVICES PROVIDER FUND – 250

Senior Affairs Department

Appropriating funds of \$280,000 for additional revenue allocated to the Senior Affairs Department from the AAA grant.

CITY/COUNTY FACILITIES FUND – 290

General Services Department

Increased appropriation of \$563,000 is needed for program overspend as a result of construction costs for the refurbishment of the Law Enforcement Center. The increased appropriation is supported with available fund balance.

GENERAL OBLIGATION BOND DEBT SERVICE FUND – 415

City Support Department

Increased appropriation of \$434,000 is needed for program overspend as a result of debt service fiscal agent fees. The increased appropriation is supported with available fund balance.

PARKING FACILITIES OPERATING FUND – 641

Municipal Development Department

Increased appropriation of \$49,000 is needed for program overspend in Parking Services for contractual service obligations. The increased appropriation is supported with available working capital fund balance

REFUSE DISPOSAL OPERATING FUND – 651

Solid Waste Management Department

Increased appropriation of \$2,168,000 is needed for program overspend in Collections as a result of increased costs to maintain vehicles and fuel costs. The increased appropriation is supported with available working capital fund balance.

SPORTS STADIUM OPERATING FUND – 691

General Services Department

Increased appropriation of \$894,000 is needed for program overspend as a result of the field conversion costs. The increased appropriation is supported with available fund balance.

GROUP SELF INSURANCE FUND – 710

Human Resources Department

Increased appropriation of \$3,633,000 is needed for program overspend as a result of higher cost of 3rd party insurance coverage. The increased appropriation is supported with available working capital fund balance.

FLEET MANAGEMENT FUND – 725

General Services Department

Increased appropriation of \$269,000 is needed for program overspend due to contractual services exceeding the appropriated amount. The increased appropriation is offset by additional revenues from vehicle maintenance services.

SECTION 2: FISCAL YEAR 2025 APPROPRIATIONS INCLUDED IN THE RESOLUTION

GENERAL FUND – 110

Animal Welfare Department

A neutral reallocation of \$20,000 from the Animal Care Ctr program to the new Animal HEART program to comply with the requirements of O-24-30.

City Support Department

Transfer \$8,000 from General Fund 110 to Debt Service fund 405 to cover FY/25 debt service for New Mexico Finance Authority Water Trust Loans and Improvement, transfer of \$6,000,000 from General Fund 110 to Operating Grants Fund 265 for housing voucher programs.

Finance and Administrative Services Department

Reallocation of \$421,000 in program appropriations from Office of Equity and Inclusion (OEI) to Legal Services Department as a technical correction to CS R-24-36, which appropriated personnel funding in OEI rather than the Legal Services Department. Reduce appropriation of \$121,000 for fiscal agent fees charged by the State of New Mexico.

Health, Housing, and Homelessness Department

Reallocation of \$97,000 in program appropriations from HHH Strategic Support to YFS Strategic Support as a technical correction to CS R-24-36, which appropriated personnel funding to HHH

Strategic Support rather than YFS Strategic Support; reallocation of \$2,000,000 in funding from YFS Community Recreation to HHH Emergency Shelter to support homeless and housing navigation; reduce appropriation in Affordable Housing by \$6,000,000.

Legal Department

Reallocation of \$534,000 in program appropriations from Office of Equity and Inclusion and Investigative Services to Legal Services as a technical correction to CS R-24-36, which appropriated personnel funding in Office of Equity and Inclusion and Investigative Services rather than Legal.

Parks and Recreation Department

Appropriation of \$97,000 to Parks and Recreation Department, which is offset by revenue received from the Risk Fund (705) related to property damage. Department will use funding to replace the damaged equipment.

Police Department

Reallocation of \$113,000 in program appropriations from Police Department Investigative Services to Legal Services Department as a technical correction to CS R-24-36, which appropriated personnel funding in Police Department Investigative Services rather than Legal Services Department.

Youth and Family Services Department

Reallocation of \$97,000 in program appropriations from HHH Strategic Support to YFS Strategic Support as a technical correction to CS R-24-36, which appropriated personnel funding to HHH Strategic Support rather than YFS Strategic Support; reallocation of \$2,000,000 in funding from YFS Community Recreation to HHH Emergency Shelter to support homeless and housing navigation.

MARIJUANA EQUITY AND COMMUNITY REINVESTMENT FUND – 202

Finance and Administrative Services Department

Appropriation of \$121,000 for fiscal agent fees to account for the revenue fee costs charged by the State of New Mexico to Fund 202 from available fund balance.

OPERATING GRANTS FUND – 265

Health, Housing, and Homelessness Department

Appropriation of \$6,000,000 for Housing Vouchers from Fund 110 to Fund 265 Prepaid Rapid Rehousing to provide stability for housing voucher programs.

LAW ENFORCEMENT PROTECTION FUND – 280

Police

Appropriating additional funds of \$25,000 for the additional revenue allocated from the State of New Mexico Law Enforcement Protection Fund (LEPF).

GAS TAX ROAD FUND – 282

Municipal Development Department

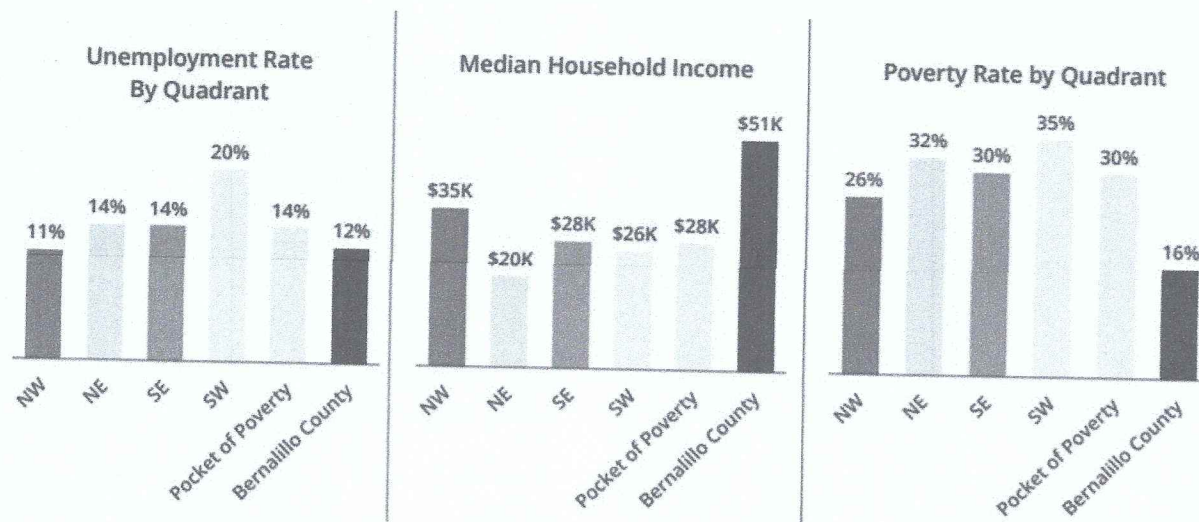
Reduce FY/25 Gas Tax Fund appropriation by \$1,762,000 to align with budgeted revenue.

SALES TAX REFUNDING DEBT SERVICE FUND – 405

City Support Department

Increased appropriation of \$1,196,000 is needed for FY/25 debt service for Series 2024 GRT improvement bond interest and New Mexico Finance Authority water trust loans. Revenue source is a transfer from Fund 110 and capitalized interest.

Figure 7: Data Analysis—Unemployment, Median Household Income, Poverty Rate



REAL ESTATE CONDITIONS

Higher rents, lower vacancies, and increasing demand for new real estate development characterize the office, industrial, retail, and multi-family rental markets since 2002 and suggest that while the real estate market in the Pocket is growing, these conditions have not improved local residents' economic prospects.

IMPACTS OF CURRENT ALBUQUERQUE PLANNING INITIATIVES

These pressures will only intensify as there are many new development projects in the pipeline that will impact the local real estate market, drive demand upward, and potentially place increasing costs pressures on low-income households and local businesses. While these new developments are exciting for Albuquerque residents, they may create inhospitable economic conditions that produce neighborhood displacement of residents and small businesses and overall gentrification. These projects include but are not limited to:

- Rail Trail and Greater Downtown Urban Trail projects
- Rail Yards redevelopment
- Proposed stadium for the New Mexico United professional soccer team

Housing and Neighborhood Economic Development Fund

2022 Comprehensive Plan

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I. ACKNOWLEDGEMENTS

This 2022 Housing and Neighborhood Economic Development Fund (HNEDF) Plan was prepared over eight months in 2021 and reflects the contributions of many people. Thank you to City of Albuquerque employees at the Department for Community and Family Services for organizing the consultant recruitment process, funding this planning effort, and providing guidance and support throughout the process. Thank you to the various stakeholders who offered their insights and vision for how the Fund can positively impact Pocket of Poverty neighborhoods.

Development of the 2022 HNEDF Plan relied on the guidance of the HNEDF Committee and its Subcommittee who generously contributed their time and expertise for this planning process:

Committee Members:

- Armijo, Frances, Resident Representative, Subcommittee
- Blanquera Nelson, Robert, Resident Representative, Subcommittee
- Colonel, Gwen, Resident Representative
- Lopez, Jesse, Resident Representative, Subcommittee
- Lopez, Margaret, Resident Representative
- Nordhaus, Richard, Architect, Subcommittee
- Plaza, Andrea, Business Representative
- Robert Vigil, Resident Representative
- Sanchez, Pat, Private Lender
- Senye, Kelle, Private Housing Representative

HR&A Advisors, Inc., a national economic development, real estate advisory and public policy consultant, and Strata Design, an Albuquerque-based women-owned and operated architecture, landscape architecture and planning firm, supported the City of Albuquerque in conducting research and analysis and 2022 HNEDF Plan drafting through a contract funded by the HNEDF.

II. EXECUTIVE SUMMARY

The 1987 ordinance establishing the Housing and Neighborhood Economic Development Fund (HNEDF) called for the **development of a ten-year comprehensive plan** to outline and guide decisions about how to use revenues from loan repayments from HUD's Urban Development Actions Grants (UDAG) issued earlier that decade to support housing and economic development efforts in the area known as the Pocket of Poverty (the "Pocket"). Plans adopted in 1993 and 2002 have **guided the use of over \$18M for housing and economic development projects** benefiting Pocket residents between 1993 and 2008.

Throughout 2021, the City of Albuquerque, the HNEDF Committee and Subcommittee, HR&A Advisors, and Strata Design, reviewed previous planning initiatives, analyzed demographic, economic, and real estate data pertinent to the Pocket of Poverty, conducted broad and inclusive community engagement efforts, and drafted and finalized the 2022 Plan. This 2022 Housing and Neighborhood Economic Development Fund Plan (the "2022 Plan") intends **to guide future decision-making for spending the Fund's \$6.3M.**¹

Pocket of Poverty residents **are still experiencing economic distress** at higher rates than the surrounding region. Unemployment and poverty rates in the Pocket of Poverty are substantially higher while median incomes are substantially lower and have not kept up with the rising cost of housing despite stagnant population growth within the Pocket.

Residents corroborated what data indicated and emphasized the need for investment in housing and economic development efforts across the area.

- Survey respondents identified housing as their **highest concern and priority**, citing increasing rents, rising home values, and higher home maintenance costs in the face of gentrification. Producing and preserving **affordable housing**, creating substantive **pathways to homeownership**, and subsidizing necessary **home improvements and renovations** can help Pocket residents manage these costs.
- Increasing housing costs place a heavier burden on residents when many are in need of **quality job opportunities that pay higher wages and offer comprehensive benefits**. Creating quality jobs, building and reinforcing **pathways to economic opportunity**, supporting **small businesses and entrepreneurs**, and strengthening local service offerings can enhance **local quality of life** and help Pocket residents find and keep fulfilling employment.
- Pocket neighborhoods are all different and as such, their residents have different needs. This Fund can not only invest in local businesses and organizations across the Pocket, but also **provide targeted services to tend to each neighborhood's specific needs**.

HNEDF funding will be prioritized for projects that provide long term and sustainable benefits for low- and moderate-income residents of the pocket of poverty. The City will allocate funds to (1) new for-sale and rental housing construction; (2) housing rehabilitation; (3) housing technical services; (4) commercial property acquisition and rehabilitation; (5) physical improvements; and (6) training, education, and supportive programming. Allocated funds should advance meaningful progress towards the following goals and objectives:

Goal 1: Produce and preserve housing units affordable for low-middle income residents.

Goal 2: Create quality jobs (\$15+/hour with benefits) specific for Pocket residents

Goal 3: Rehabilitate buildings and improve facades for housing and commercial properties

Goal 4: Support entrepreneurs and small businesses in growing their companies

Goal 5: Create new pathways and services that enhance resident access to economic opportunity (e.g., new jobs, homeownership, etc.)

Goal 6: Leverage private investment alongside HNEDF funds

Goal 7: Allocate funds towards Minority/Women Owned Business Enterprise (M/WBE) and businesses and organizations located within the Pocket.

The City should allocate the monies contained within the fund over the ten-year period designated by the 2022 Plan (2022-2031) through a series of grants and loans in response to proposals issued through the City of Albuquerque's solicitation process in accordance with the administrative requirements of the Department of Family and Community Services. The City should monitor disbursed funds to ensure that funds are spent for the intended purpose and should collect data on the impacts from these funds to better understand the Fund's overall effectiveness in supporting housing and economic development efforts within the Pocket.

III.INTRODUCTION

HOUSING AND NEIGHBORHOOD ECONOMIC DEVELOPMENT FUND

In the 1980s, the City of Albuquerque (“Albuquerque” or the “City”) used Urban Development Action Grants (UDAG) from the U.S. Department of Housing and Urban Development to make loans to El Encanto, Inc. (dba Bueno Foods) to expand food production facilities and to Albuquerque Plaza to develop the Hyatt Regency Hotel and Beta West office building.

In 1987, the City established a **Housing and Neighborhood Economic Development Fund** (HNEDF) to utilize proceeds from these UDAG loan repayments to benefit low- and moderate-income residents in a **targeted area known as the “Pocket of Poverty”** (the “Pocket”).

The 1987 ordinance establishing the Housing and Neighborhood Economic Development Fund called for the **development of a ten-year comprehensive plan** to outline and guide decisions about how to use the UDAG loan repayments. Plans adopted in 1993 and 2002 have **guided the use of over \$18M for housing and economic development projects** benefiting Pocket residents between 1993 and 2008.

The ordinance also provides for a HNEDF Committee (the “Committee”) comprised of 11 residents, business owners, and housing, lending, and architectural specialists from Pocket of Poverty neighborhoods. This Committee advises on fund planning process and supports the development, approval, and implementation of the comprehensive plan, including structuring a ranking system for prioritizing project allocations.

Once it is approved by the Mayor and City Council, this 2022 Housing and Neighborhood Economic Development Fund Plan (the “2022 Plan”) is **intended to guide decision-making for spending the \$6.3M currently available** in the HNEDF.¹

DEVELOPING THE 2022 PLAN

Development of this comprehensive 2022 Plan proceeded in three phases: discovery, community engagement, and Fund Plan drafting and approval.

- The **discovery phase** began in March 2021. It included a review of past planning materials, an analysis of current socioeconomic and market conditions in the Pocket, and an evaluation of the 2002 HNEDF comprehensive plan.
- The **community engagement** phase included a virtual visioning session with the public in August 2021, an area-wide digital survey answered by over 195 residents, 4 issue-specific virtual focus groups, and one-on-one meetings with local neighborhood organizations, stakeholders and housing and economic development experts. Monthly meetings with the HNEDF Committee and additional meetings with the HNEDF’s subcommittee were held to gather additional feedback.
- In the **drafting and approval phase**, the City presented the Committee with a draft of the plan in December 2021 for feedback before it was submitted for review at a public meeting in March 2022, revised, and presented to City Council for approval.

¹ Inclusive of \$237,500 allocated in 2013 by City Council but never spent, and likely available for alternate allocation following City Council adoption of this plan.

USING THIS DOCUMENT

This 2022 Plan is intended to **provide guidance to the City** as it considers funding allocation decisions over the next 10 years. **Actual allocations will be determined by the City** over time in accordance with the 2022 Plan and two year programs as specified in the ordinance.

The 2022 Plan provides a history of the HNEDF, an overview of demographic, economic, and real estate conditions in the Pocket today, a summary of engagement findings, and a recommendations section that offers broad allocation categories, guiding principles for decision-making, and considerations regarding the long-term sustainability of the fund to assist the City going forward.

IV. HNEDF HISTORY

ORIGINS OF THE HNEDF

The City established the HNEDF in 1987 to ensure that repayments from UDAG loans made in the 1980s were used to benefit low- and moderate-income residents in the **Pocket of Poverty**, a geographic area within the City which met the initial federal standards for physical and economic distress.

The ordinance governing the fund requires that 50 percent of allocated funds should be used for **housing** and 50 percent for **economic development**. Additionally, all proceeds from El Encanto loan repayments must be used for projects located in the North Baretas community development area.²

The **goals** for the fund as stated in the founding ordinance are **reducing blight and poverty, increasing available housing, creating jobs, and promoting small business development** to enhance the well-being of low and moderate-income residents.

THE POCKET OF POVERTY

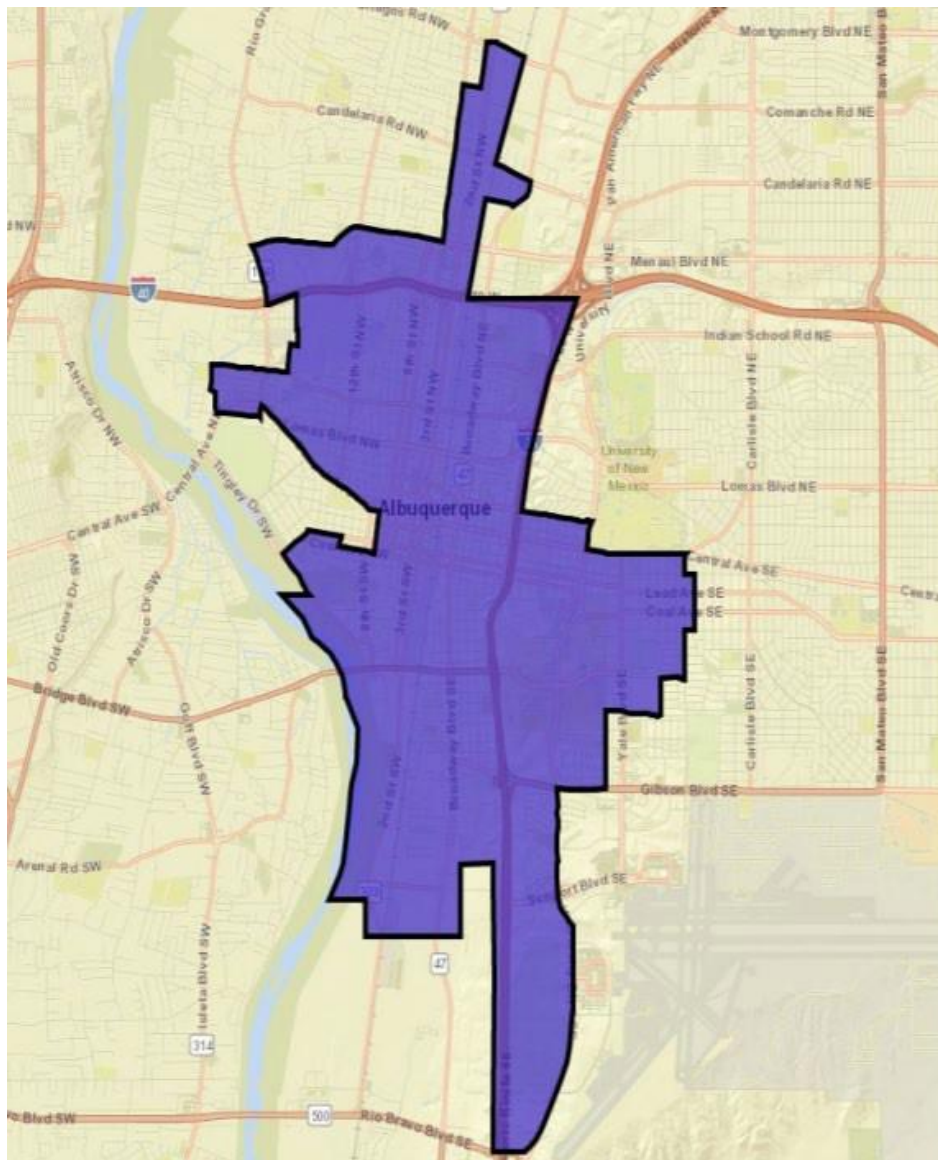
Under federal regulations in place at the time of HNEDF's creation, a Pocket of Poverty was defined as a **contiguous geographic area** containing at least 10,000 people or at least 10 percent of a city's population, where at least 70 percent of residents have incomes below 80 percent of the Area Median Income (AMI) for the city and at least 30 percent have incomes below the national poverty threshold.

Albuquerque's Pocket of Poverty stretches from Los Griegos on the north, to University Heights on the east, Baretas and South San Jose on the south, and Old Town on the west (see Figure 1 below). See the map in Appendix 1 for more detail on Pocket boundaries and all included neighborhoods.

Today, 25 years after the establishment of the HNEDF, **Pocket of Poverty residents continue to experience economic distress** at higher rates than the surrounding region. As of August 2021, 30 percent of Pocket residents live below the poverty line and 65 percent of residents have annual incomes below 80 percent AMI for the city. While slightly below 1980s-era federal standards for initial Pocket of Poverty designation, economic distress in the Pocket remains substantially more pronounced than in the rest of the City and Bernalillo County. A detailed assessment of economic conditions in the Pocket of Poverty can be found in the Data Analysis section (beginning on Page 8).

² As of November 2020, \$435,000 out of the total HNEDF fund balance is currently set aside for investments in the North Baretas community development area.

Figure 1: Pocket of Poverty Boundaries



PREVIOUS COMPREHENSIVE PLANS (1993 and 2002)

The 1987 HNEDF ordinance called for the development of **ten-year comprehensive plans** to guide decisions about how to allocate resources from the fund, with a secondary purpose of documenting housing and economic conditions in the Pocket.

Past HNEDF plans provided the following specific **funding recommendations** for housing and economic development priorities. The 2002 plan also included an “Opportunity Fund” for housing and economic development projects falling outside the specified categories.

	1993	2002
Housing	• \$1.3M to incentivize new construction • \$440K for rehabilitation of existing rental housing	• \$1.425M to incentivize new infill housing construction • \$800K for rehabilitation and exterior façade improvement • \$2M revolving loan fund for affordable housing construction
Economic Development	• \$1.1M for job generating activities • \$350K for commercial revitalization • \$260K for educational services	• \$2M for incentivizing acquisition and rehabilitation of commercial properties • \$800K for physical improvements such as façade renovations • \$250K for training and education
Other		• \$1M Opportunity Fund to cover grants and loans for additional housing and economic development opportunities

The tables below show some of the goals outlined in the respective plans along with reported **outcomes** of housing and economic development projects implemented under the 1993 and 2002 plans.

1993 Plan Goals	1993 Plan Outcomes
Construct new single-family and multi-family housing that is affordable to lower income residents	269 housing units constructed
Acquire and rehabilitate existing rental housing	26 rental units rehabilitated
Create permanent jobs for lower income residents of the Pocket	230 jobs created 180 were for low/moderate income people 126 jobs filled by Pocket residents
Eliminate blighted conditions and initiate projects and public services that create a sound environment for public and private investment, commercial revitalization, and neighborhood stabilization.	84 facades completed \$913K in private investment
Retain, expand, and attract new businesses to commercial districts	94 business loans \$2.4M in loans to businesses and organizations 592 organizations receiving technical assistance
Increase education levels and training levels of residents	1,061 students in educational programs

2002 Plan Goals	2002 Plan Outcomes
Construct new single-family and multi-family housing that is affordable to lower income residents	At least 171 housing units constructed or rehabilitated
Acquire and rehabilitate existing rental housing	At least 199 housing facades improved
Create permanent jobs in the Pocket for low- and moderate-income residents by generating new job, especially those with higher wages, and reducing existing unemployment	At least 70 new jobs created
To increase educational and training levels of Pocket residents	At least 377 students benefited from educational services

In interviews with former HNEDF Committee members and community organizations, many spoke positively of the impacts from the implementation of the 2002 Plan. Many commented on projects that had substantive impacts on the community. Some of the more notable projects included:

- **WESST Corp Business Incubator:** A \$1.36M loan to close the gap on construction of a 2-story, 36K SF LEED Silver building to offer common and leasable space to business start-ups. This space continues to provide ongoing benefits for local entrepreneurs and for all Pocket communities.
- **Arbolera de Vida:** An \$800K revolving construction loan to build 30 single-family homes, with 29 sold through 2008.
- **Greater Albuquerque Housing Partnership:** \$1.2M in construction loans for 35 homes in the Martineztown and Barelás neighborhoods.
- **United South Broadway Corporation:** \$400K for a commercial façade program. This project leveraged HNEDF to secure **\$913K in private investment in the Pocket of Poverty**. **Southwest Creations Collaborative:** \$75K for capacity building for job creation for low to moderate income individuals.

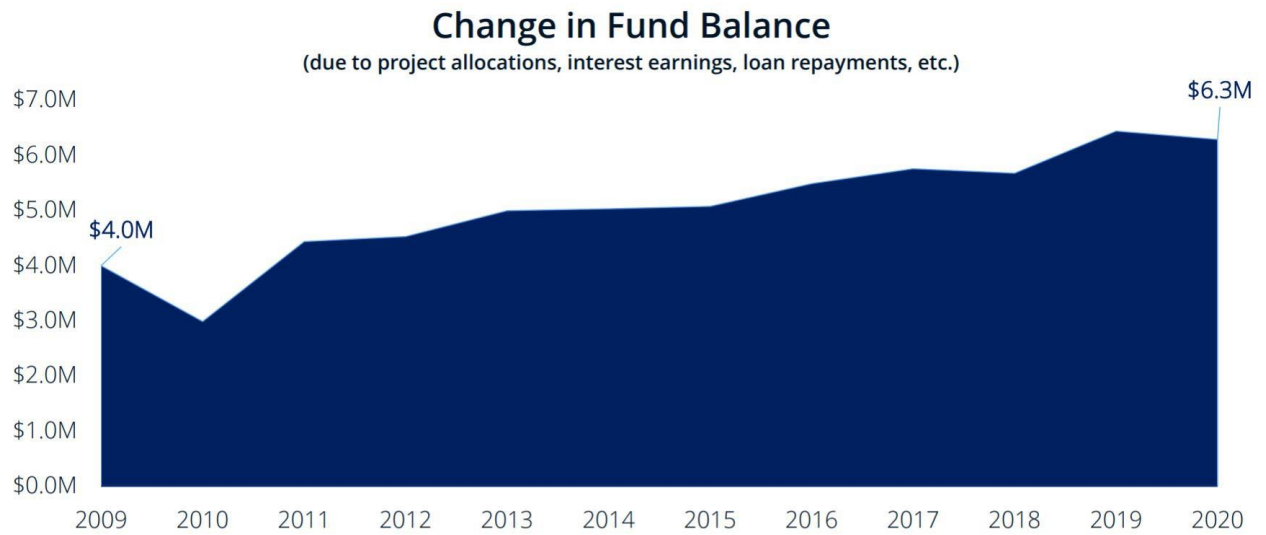
When stakeholders were asked about projects funded through the 2002 Plan, there was general consensus that all of the selected projects were successful with one notable exception. Broadway Vistas, a 20-unit condominium project for low-moderate households faced considerable delays and conditions brought on by the Great Recession slowed unit sales.

Further evaluation of the 1993 and 2002 HNEDF Comprehensive plans is limited by sparse documentation and a lack of institutional memory. All City staff present during the 2002 Plan approval and implementation process have since moved on from the City and new staff are not aware of previous processes or outcomes, outside of what is presented in a few historical files. Similarly, former HNEDF Committee members and funding recipients have not preserved significant documentation from previous plan processes and outcomes and, in some cases, are limited to anecdotal insights.

FUND GROWTH SINCE 2008

As indicated in Figure 2 below, over the past decade, **the HNEDF has grown by more than 50 percent** due to repayments and interest earnings from outstanding HNEDF loans. This 2022 HNEDF Fund Plan provides a framework for guiding the allocation of \$6.3 million in available funds to housing and economic development projects in the Pocket of Poverty.

Figure 2: HNEDF Growth



V. POCKET OF POVERTY TODAY

NEW AND EMERGING ISSUES IN THE POCKET OF POVERTY

When considering Pocket of Poverty's demographics, economic distress and real estate market, it is clear that Pocket of Poverty residents are still experiencing economic distress at higher rates than the surrounding region. Unemployment and poverty rates remain stubbornly high, while median incomes lag well behind city and county averages. In addition to high unemployment numbers, fewer Pocket residents attain advanced educational degrees, likely inhibiting their ability to access higher-quality job opportunities.

Coupled with those difficult economic conditions, rents are increasing across the Pocket, making it more difficult for residents and small business owners to afford their homes and maintain their places of business, respectively. Future planning and redevelopment efforts (e.g. new professional soccer stadium, Rail Yards project, trail projects, etc.), though potentially adding new amenities for residents, will likely only increase rent pressures as property values are likely to increase.

Meanwhile, the Pocket of Poverty population has remained largely unchanged over the last twenty years, while the population with Bernalillo County has grown by 24%, indicating that the Pocket is not benefiting from broader regional growth. The Pocket has a more diverse population than the County with a majority of Hispanic residents and 43% of residents identifying as non-white.

Based on these conditions, the City should leverage the above insights to make decisions on which projects and programs best address these challenges. Specifically, the City should prioritize projects and programs that:

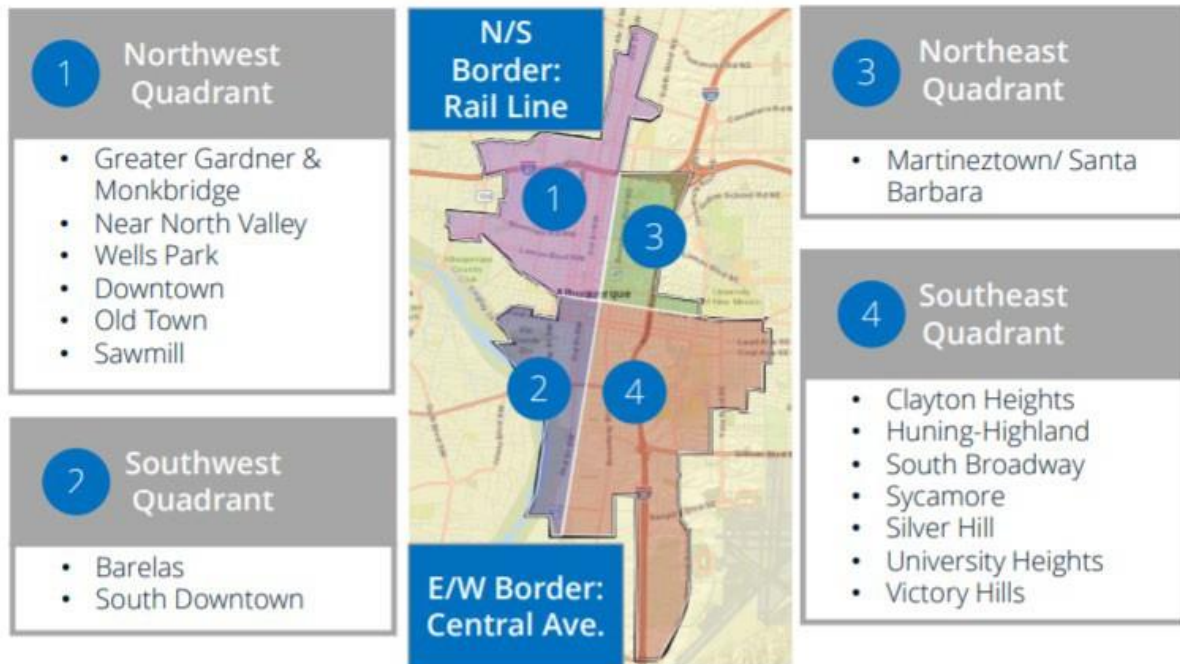
- Propose to build new housing options that provide long-term affordability for low-moderate income pocket residents
- Fund housing improvements that reintroduce distressed/condemned housing to market at affordable rates
- Create quality job opportunities that pay living wages with strong benefits for Pocket residents
- Provide educational services to Pocket residents that enhance pathways to economic opportunity and quality jobs

These conditions are further detailed and emphasized in the data analysis included below.¹ The analysis below breaks the Pocket of Poverty into four quadrant areas: Northwest, Northeast, Southwest, and Southeast. See the Figure 2 below for a map detailing the quadrant geographies and the corresponding neighborhoods included in each quadrant.

The City recognizes that this is not a perfect grouping. The purpose of this data analysis is to evaluate the current status of the pocket of poverty and demonstrate the need across the pocket. This data analysis will not be used to prioritize funding for specific neighborhoods. While there are some differences among the 4 quadrant groupings, overall this data analysis shows a high level of need for housing and economic development across the pocket.

¹ Demographic and economic data is drawn from U.S. Census Bureau's American Community Survey. The real estate data is drawn from CoStar, a widely used national real estate database.

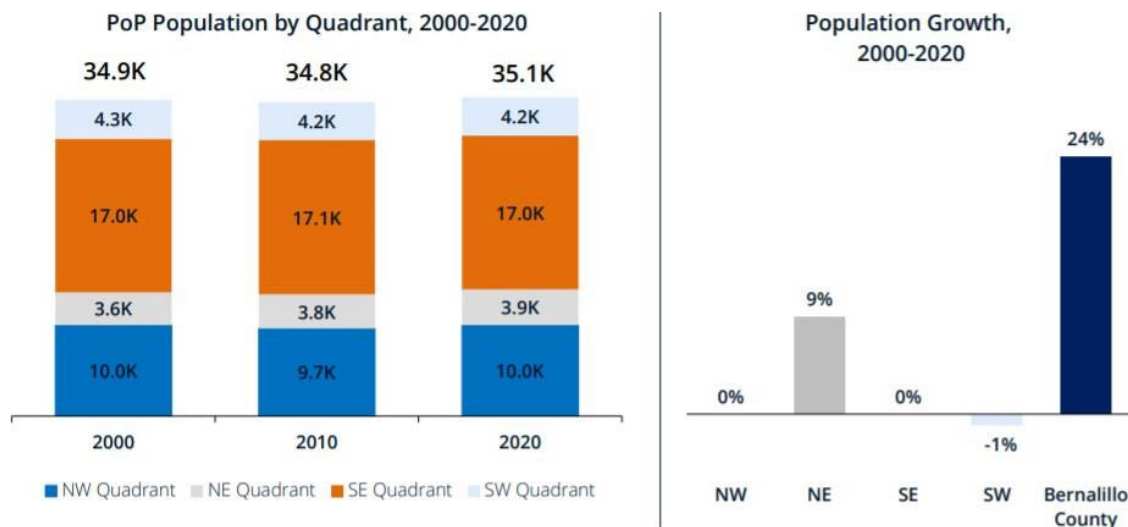
Figure 3: Pocket of Poverty Quadrants for Data Analysis



POPULATION AND DEMOGRAPHICS

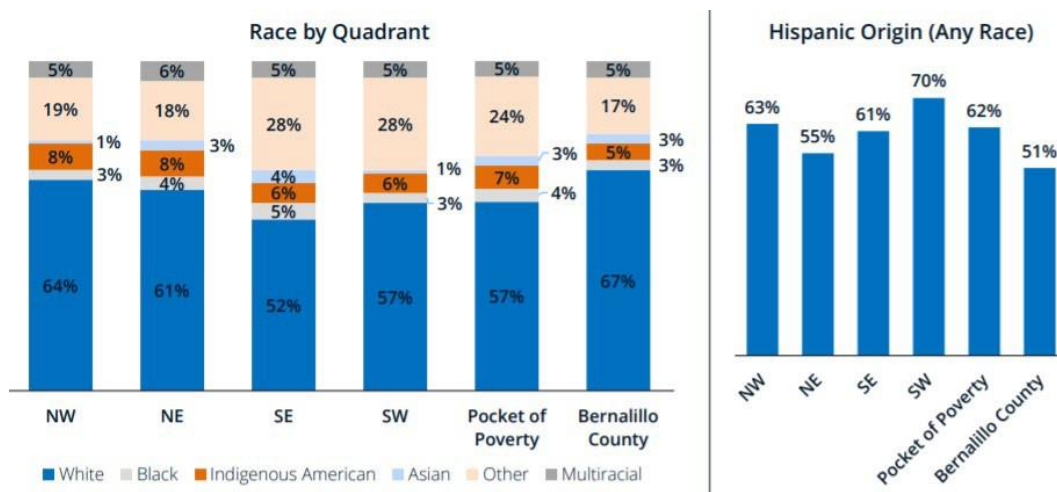
From 2000 to 2020, **population growth across the Pocket has been largely stagnant**. As detailed in Figure 4, not only has the Pocket population remained relatively similar over the past 20 years, but also, the Northeast quadrant is the only quadrant experiencing population growth (9%). Other quadrants have either seen population stagnation or decline since 2000. Compared to county-wide growth of 24 percent, the Pocket has not captured the growth taking place across Bernalillo County.

Figure 4: Data Analysis—Population and Growth



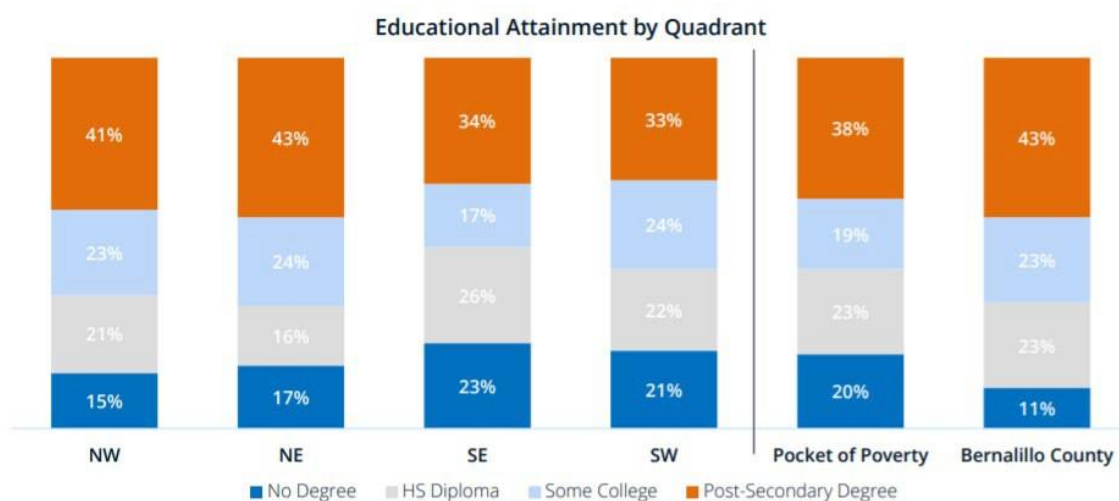
Analysis of racial dynamics across the Pocket suggest that Pocket residents are **more racially diverse** than the larger County. As shown in Figure 5 below, 62% of Pocket residents are of Hispanic origin, a greater proportion than Bernalillo County (51%). In addition, across Pocket quadrants there is a smaller percentage of White residents as compared to the County.

Figure 5: Data Analysis—Race and Hispanic Origin



In addition, Pocket residents have **lower educational attainment** compared to Bernalillo County. Only 57% of residents have some college education compared to 66% at the county level. However, as seen below in Figure 6, levels of educational attainment vary across the Pocket. For example, within the Northeast and Northwest quadrants of the Pocket, residents with post-secondary degrees are relatively on par with county-wide rates and higher than the Pocket average.

Figure 6: Data Analysis—Educational Attainment

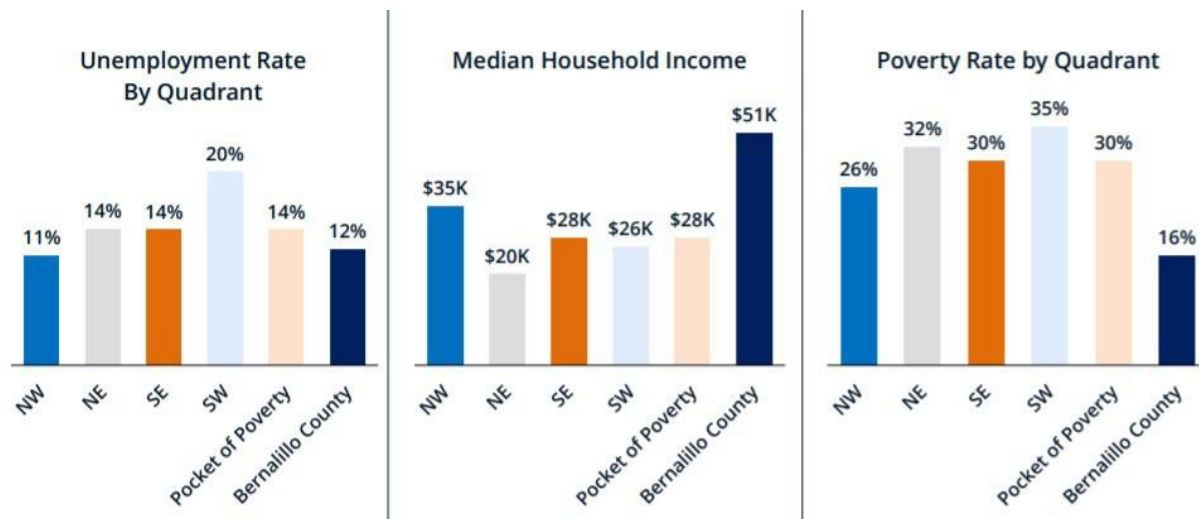


ECONOMIC DISTRESS

Residents of the Pocket have **higher unemployment** rates, **lower median household incomes**, and **higher poverty rates** than the regional average.

As seen below in Figure 7, Bernalillo County has a substantially higher median household income and a substantially lower poverty rate than all quadrants of the Pocket, and lower unemployment than three of four Pocket quadrants. Unemployment and poverty rates are highest in the Southwest quadrant, and median incomes are lowest in the Northeast quadrant. Though the Northwest Quadrant is currently experiencing lower degrees of unemployment and poverty, and has higher median household incomes than the rest of the pocket, it is still generally experiencing high levels of economic distress.

Figure 7: Data Analysis—Unemployment, Median Household Income, Poverty Rate



REAL ESTATE CONDITIONS

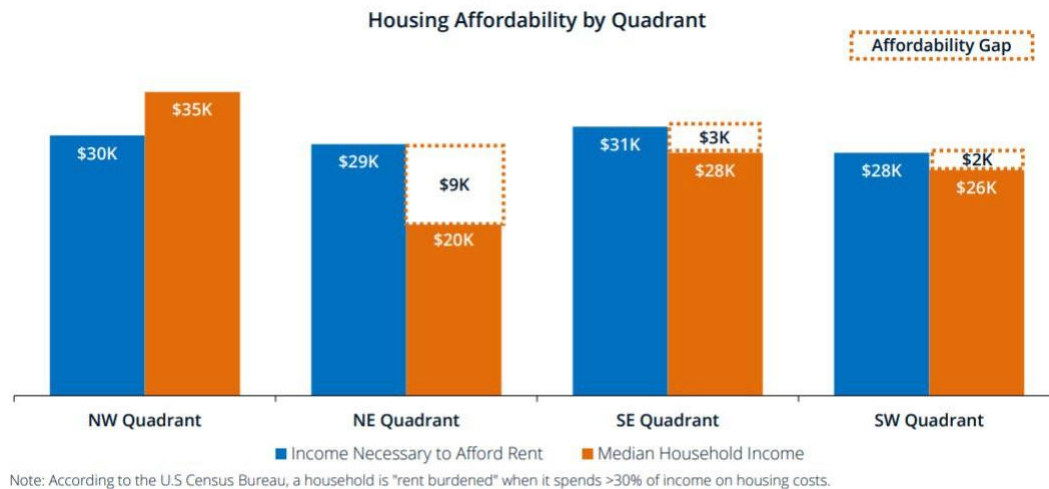
Higher rents, lower vacancies, and increasing demand for new real estate development characterize the office, industrial, retail, and multi-family rental markets since 2002 and suggest that while the real estate market in the Pocket is growing, these conditions have not improved local residents' economic prospects.

IMPACTS OF CURRENT ALBUQUERQUE PLANNING INITIATIVES

These pressures will only intensify as there are many new development projects in the pipeline that will impact the local real estate market, drive demand upward, and potentially place increasing costs pressures on low-income households and local businesses. While these new developments are exciting for Albuquerque residents, they may create inhospitable economic conditions that produce neighborhood displacement of residents and small businesses and overall gentrification. These projects include but are not limited to:

- Rail Trail and Greater Downtown Urban Trail projects
- Rail Yards redevelopment
- Proposed stadium for the New Mexico United professional soccer team

Figure 8: Data Analysis—Housing Affordability and Rent Burden



Moreover, the Pocket is characterized by an older housing stock. According to the American Community Survey, as of 2016, at least 50% of the Pocket's housing stock was built prior to 1960, whereas only 19% of Bernalillo County's stock was built prior to 1960. As a natural consequence, older homes cost more to maintain and often require that owners and tenants pay higher utility costs. Previous HNEDF plans have highlighted the disproportionality of Pocket homes that are substandard, deteriorating, or in violation of local codes as compared to the broader City and Bernalillo County. When combined with increasing rents and an expanding rent burden, Pocket residents are facing enormous costs to maintain housing.

VI.COMMUNITY ENGAGEMENT RESULTS

GUIDANCE FOR USING COMMUNITY ENGAGEMENT INSIGHTS

The City should consider insights gathered from residents, community groups, stakeholders, business owners, and other relevant constituencies as it makes funding allocation decisions. Allocations should consider the insights put forth by stakeholders and community members alongside the data provided in the "Pocket of Poverty Today" section beginning, as well as the data and community engagement information included in the Appendix. When comparing different funding proposals, the City should consider how demographic and socioeconomic insights align with the qualitative commentary offered by the community. That alignment should provide clarity on the areas of greatest need and allocations should be directed to those identified areas. More guidance on fund allocation is provided in the next section.

COMMUNITY ENGAGEMENT PROCESS

A community engagement process was developed to gather and incorporate feedback from residents, business owners, and students within the Pocket of Poverty.

The community engagement process for the 2022 Plan sought to include diverse populations represented within the Pocket of Poverty. Primary areas of focus included:

- Validating data analysis and understanding current on-the-ground housing and economic development conditions within the Pocket.
- Gathering input from Pocket communities on housing and economic development needs.
- Obtaining feedback, potential strategies, and actionable recommendations to include in the proposed plan.

To ensure that the needs and interests of the community were infused as integral elements within the 2022 plan, the following key questions related to housing and economic development anchored the engagement process.

Housing

- 1) How have HNEDF funds impacted the state of housing within the Pocket since 2002?
- 2) What are the Pocket's current housing needs?
- 3) How can 2022 Plan allocations directed towards housing maximize impact?

Economic Development

- 1) How have HNEDF funds impacted the state of economic development within the Pocket since 2002?
- 2) What are the Pocket's current economic development needs?
- 3) How can 2022 Plan allocations directed towards economic development maximize impact?

Guiding Principles

The community engagement process sought to engender respect and trust, centering the following as core principles:

- 1) Intentional inclusion **of the most vulnerable members of the Pocket.**
- 2) Accessible and convenient engagement that accounts for limitations that could arise from **language, culture, location, physical accessibility, childcare, food, and transportation, among other considerations.**
- 3) A **respectful, inclusive, and appropriate** approach to engagement.
- 4) Conscious recognition of **systemic racism, injustice, and inequality.**
- 5) **Timely, accurate, accessible, and relevant** information shared to the community.
- 6) **Transparent** decision-making.

The Public Engagement Process Overview

The 2022 Plan's community engagement was conducted over a 6-month period that included multiple opportunities for community members, residents, local businesses and area stakeholders to contribute to the process. These intentional efforts reached all neighborhoods represented in the Pocket of Poverty and their insights are incorporated into the 2022 Plan. This strategy included the following efforts:

- Developing a City of Albuquerque project website as a project clearinghouse. This website was updated throughout the process with meeting dates, past presentations, and plan drafts.
- Issuing a community survey to test the Pocket demographic analysis and to obtain community input from English and Spanish speakers, with paper and digital response options (detailed analysis of this survey is included in Appendix 2).
- Hosting a community workshop and focus group meetings with key community stakeholders (overview of these events are included in Appendix 2).
- Engaging with local community groups and stakeholders in 1-on-1 and small group interviews.
- Finding opportunities to expand participant diversity and include a deep variety of perspectives.

Community Engagement Narrative

Throughout the engagement conducted as a part of this strategy, one of the common themes expressed was that each neighborhood within the Pocket is unique and there is no one-size-fits-all strategy that can meet

the needs of individual neighborhoods. That said, between the various methods of engagement, there are clear areas of consensus among community members and stakeholders about needs across the Pocket.

Housing

Housing is a top priority and residents are concerned about rising costs of housing in the face of stagnant wages. Renters are concerned that increasing demand and early signs of gentrification across the Pocket will add further upward pressure on already increasing rents. If possible, renters want to purchase real estate, but often do not know what they need to do to purchase housing or do not have easy access to capital with favorable terms to support homeownership. Homeowners in the Pocket are facing different types of costs. As mentioned earlier, the Pocket's housing stock is older on average than the housing stock across the city and county, burdening homeowners with additional costs. This is especially a concern for older, aging-in-place homeowners who need to renovate homes to support how their lifestyles change with age. Overall, these increasing pressures on housing affordability are contributing to a growing homelessness problem.

To respond to these needs the City should grant funding to projects that support reliable, affordable, well-maintained housing options located in safe neighborhoods. This can include funding to support the construction of new housing or renovating existing housing options, improve energy efficiency for low income households to reduce housing utility costs, ultimately lending to wide of housing choices for residents (e.g., single and multi-family, for-sale and rental, small and large, supportive housing for seniors). In addition, where possible, the City can offer funding to local programs that support broader homeownership for Pocket residents including funding courses that educate prospective first-time homeowners on how to buy and maintain homes, creating rent-to-own opportunities, and working with local partners to develop financial products that specifically support prospective first-time homeowners.

Overall, our engagements revealed that housing is the top concern for local residents and should be the top priority for funding allocations. Any projects that seek to preserve or produce affordable housing, support pathways for residents to secure homeownership, or support residents with the overall cost of housing are tending to the needs of this community.

Local Businesses

Pocket residents are concerned about the health and longevity of current local small businesses. Some business owners are interested in or considering expanding their operations but do not know how or lack the funding to scale up. Also, in many cases, local storefronts on main commercial corridors are older and require additional maintenance and upkeep to ensure that shops look aesthetically appealing and draw visitors in. Especially given the economic conditions brought on by COVID-19, small businesses need support in improving, sustaining, and growing their business.

Similarly, residents are also interested in supporting those who are looking to start their own business and adding to the local economic base. There are local entrepreneurs interested in starting a business, but many do not know how or lack the start-up capital sources to get their businesses off the ground.

Given these needs the City should allocate funds to projects and programs that help create sustain conditions supportive of a thriving small, independent business scene. The Fund should support training and capacity building for small business owners and entrepreneurs and particularly, M/WBEs. In addition, to support vibrant commercial corridors and opportunities for business retention and expansion, businesses need support for façade and infrastructure improvements to improve neighborhood aesthetics and walkability.

Economic Opportunity

As residents struggle with higher costs, they are interested in having access to quality jobs offering living wages (\$15+/hr) and benefits (e.g., health insurance, retirement plan, etc.) However, not all residents are positioned to access these quality jobs. Residents indicate that there is a need for greater availability of and access to relevant courses, job training programs, and other educational opportunities and pathways that can prepare them for new opportunities paying higher wages. In addition, some Pocket residents are limited

by childcare needs, inconsistent transportation availability, or other service limitations that prevent them from accepting new job opportunities.

In response, the City should fund projects that create quality jobs. Investments across funding categories will generate job creation, and the City should ask respondents to detail the quantity and quality of new jobs that will be created from new projects or program. In addition, the City should privilege proposals that create pathways to desirable employment outcomes and protect a person's ability to accept new work opportunities. Such pathways and protections can include, but are not limited to:

- Availability of and access to affordable daycare
- Availability of and access to after-school programming
- Availability of and access to affordable transportation
- Availability of and access to job training and workforce development opportunities
- Business education opportunities
- College affordability support (e.g., scholarships, debt repayment)

In addition, Pocket residents also indicated a desire for additional health and wellness services such as grocery stores, additional parks and open space, and other affordable nutrition and health offerings. The City should provide additional consideration to proposals that promote community health and wellness.

A Neighborhood-Specific Approach

As mentioned, residents continuously emphasized that each neighborhood within the Pocket is unique and has unique needs. Not only should the City consider such individual needs, but also consider how each project may impact a neighborhood. For example, new development in any neighborhood should reflect and preserve existing community character and meet community needs.

Engagement efforts included four neighborhood-specific focus groups (South Broadway, Wells Park, Santa Barbara/Martineztown, and Barelas) with local organizations that spoke directly to their neighborhood's needs. While the City considers which projects to fund across the Pocket geography, it should consider the following guidance elevated by local community and identified as the neighborhoods greatest needs.

South Broadway

Residents requested that the City prioritize proposals for South Broadway that support:

- Home renovation and repair
- New housing – including first time home ownership, rehabilitation, education for first time homeowners and of new and diverse housing stock
- Enhanced childcare access
- New job training opportunities
- Local business retention and attraction along Broadway Boulevard
- Enhancing community resources for City programming and activities within the community
- Ensuring that youth and seniors to remain in the community

Wells Park

Residents requested that the City prioritize proposals for Wells Park that support:

- Housing affordability for different typologies
- New infill development.

Santa Barbara/Martineztown

Residents requested that the City prioritize proposals for Santa Barbara/Martineztown that support:

- Education for homeowners on financial options to retain homes
 - Funds for housing rehabilitation and renovation
 - Job training
 - Facilities for community members to sell products made in the community
 - Parent-child education
 - Assistance accessing community service and benefits programs.

Barelas

Residents requested that the City prioritize proposals for Barelas that support:

- Supporting a vibrant commercial corridor on 4th street
- Prioritizing smaller housing to provide affordable housing for community members
- Façade improvements
- Gentrification prevention
- Organizational capacity building for existing community organization

VII. HNEDF FUNDING ALLOCATION CRITERIA

10-YEAR FUND GOALS AND OBJECTIVES

HNEDF funding will be prioritized for projects that provide long term and sustainable benefits for low and moderate income residents of the pocket of poverty. Based on the needs identified through data analysis and community engagement and potential solutions to address those needs, the following goals and objectives should steer project and program allocation decisions.

Goal 1: Produce and preserve housing units affordable for low-middle income residents.

Goal 2: Create quality jobs (\$15+/hour with benefits) specific for Pocket residents

Goal 3: Rehabilitate buildings and improve facades for housing and commercial properties

Goal 4: Support entrepreneurs and small businesses in growing their companies

Goal 5: Create and/or support pathways and services that enhance resident access to economic opportunity (e.g., new jobs, homeownership, etc.)

Goal 6: Leverage private investment alongside HNEDF funds

Goal 7: Allocate funds towards M/WBE and businesses and organizations located within the Pocket.

The City should follow up with each organization it allocates money to and collect information on the nature of impacts associated with each project. This information will provide additional insights as to the effectiveness of the Fund and how it improves the lives of Pocket residents.

FUNDING ALLOCATION CATEGORIES

Per the HNEDF Ordinance, 50 percent of funds are to be allocated to housing projects and 50 percent to economic development projects in any two-year period. Administrative costs will also be allocated to the fund in the amount 10% of the current fund balance not to exceed \$630,000.00. Administrative costs may include: contract development and administration, HNEDF committee coordination, fiscal management including processing payments, monitoring, other administrative duties related to HNEDF. Therefore, the remaining balance will be allocated as follows: \$2,835,000.00 for housing and \$2,835,000.00 for economic development.

Within the broad areas of housing and economic development, the City will consider proposals that fall into the following **six categories from the 2002 plan. These priorities have been affirmed as continued priorities** throughout engagement efforts with the community. The additional descriptions include specific funding preferences voiced throughout the engagement process or elevated through data analysis.

These categories may be changed based on evolving needs over time, and distribution among the funding categories will remain flexible as needs and conditions change. Funding will also be allocated as necessary for **planning and evaluation** of HNEDF-funded housing and economic development projects.

The categories of use for **housing funds** are:

1) **New for-sale and rental housing construction:**

Provide the funding necessary for developers to build a variety of housing options in one or

more of the following categories, **all of which should be affordable to low-moderate income Pocket residents:**

- Single family,
- Multifamily,
- For-sale,
- Rental,
- Housing with a mix of typologies,
- Housing catering to families,
- Housing catering to seniors,
- Housing that is accessible to disabled residents, and/or
- Housing with a mix of unit sizes.

2) **Housing rehabilitation:**

Make funds available for:

- Acquisition and rehabilitation of existing housing,
- Housing improvements that support senior citizens and disabled residents,
- Add energy conservation upgrades to existing housing,
- Property rehabilitation of rental apartments, single family homes, and other typologies.

3) **Technical services:**

Make funds available for eligible organizations to hire professionals with the expertise to support:

- Development of vacant lots with affordable housing,
- Education for first-time homeowners,
- Educational opportunities instructing students on how to build housing, and/or
- Other technical and supportive services that attend to Pocket housing needs for a range of beneficiaries.

Applicants would apply for these funds in conjunction with a specific approved project.

The categories of use for **economic development funds** include:

4) **Commercial property acquisition and rehabilitation:**

Make funds available for:

- Acquisition,
- Demolition,
- Environmental remediation, and/or
- Rehabilitation of commercial properties that need subsidization to become economically feasible to redevelop.

This can include the acquisition of nuisance and vacant property to eliminate blight and secure future development opportunities for public, private, or community-based groups.

These opportunities should be considered **highest priority if they directly meet neighborhood service needs such as grocery stores, day care facilities, or after-school programming** sites. The activities must result in the **creation or retention of quality, living-wage jobs** for Pocket residents.

5) **Physical improvements:**

Make funds available for physical improvements in the Pocket to create a **sound environment for private investment and thriving commercial corridors.**

The funds can be used for improvements that:

- Complement or enhance existing City programs in the public right of way,
- Promote walkability and improve neighborhood aesthetics, and/or
- Improve the façades of businesses.

6) Training, education, and supportive programming

Make funds available for training, education, and supportive programming that directly benefit residents of the Pocket and create pathways and supports for business growth, wealth creation, and/or quality employment, especially for M/WBE organizations.

VIII. IMPLEMENTATION STRATEGIES

TWO YEAR PROGRAM

Each odd numbered year, a program will be developed for utilization of the fund income anticipated during the upcoming two fiscal years. The program shall substantially conform to the adopted ten-year plan as adopted by the Council.

CITY OF ALBUQUERQUE

If it is determined that a Department within the City of Albuquerque has the capacity to successfully carryout an identified project, the City may allocate funds to that specific Department to carryout said activities through a Memorandum of Understanding. Any project administered by the City of Albuquerque must align with the intent of the fund and meet the threshold criteria listed below. Before any HNEDF funds are allocated to a City Department, the following process must be followed:

- The Department that wishes to administer the proposed project will submit a written proposal, to include at minimum a project narrative, budget, workplan and anticipated project outcomes. The requesting Department will also be required to attend a HNEDF meeting to present the proposal and answer any questions.
- The HNEDF committee , along with DFCS staff will review the proposal. The committee will evaluate whether the proposed project is aligned with the Plan and meets the threshold criteria listed below. Based on the evaluation, the committee will make a recommendation to either fund or not fund the proposal. .
- If the City proceeds with a project after a “do not fund” recommendation from the committee the DFCS Director must submit a written justification to the HNEDFC Committee
-

Department/Division proposing a project must submit a proposal and budget and must meet the threshold criteria. The proposal will be brought before a subcommittee comprised of two HNEDF committee members and two DFCS staff members for review and recommendation before the allocation of funds. If the City proceeds with a project after no recommendation from the subcommittee, the DFCS Director will submit a written justification for the use of funds.

SOLICITATION OF FUNDING PROPOSALS

The City will follow all procurement rules for solicitation and adhere to the Department of Family and Community Services Administrative Requirements which may be found on the City of Albuquerque’s website.

The City can issue periodic **Requests for Proposals (RFP)** for the specific housing and economic development categories listed above or for projects within the parameters of the HNEDF plan. The Department of Family and Community Services will generate these RFPs and ensure that responding organizations can describe how proposed projects would meet various criteria and priorities for HNEDF funding and meet typical City procurement requirements. These requirements are discussed in greater detail in Appendix 4 and are further clarified on the Department of Family and Community Services website: <https://www.cabq.gov/family/partner-resources/request-for-proposals>

The City will form an ad hoc committee of City staff and HNEDF Committee members to evaluate and rank submitted RFPs in accordance with the principles described below, for ultimate contract decision making by the City.

ROLE OF THE HNEDF COMMITTEE

The fundamental role of the HNEDF Committee is to review and provide recommendations for the allocation of HNEDF funds, subject to City procurement policies and regulations.

RFPs will be processed in compliance with the DFCS social service procurement guidelines. The ad hoc committee will be assembled in compliance with those rules. At least one-third of the ad hoc committee will be comprised of HNEDF committee members. .

Conflict of Interest

City staff and any designated HNEDF Committee member will not be appointed to an ad hoc committee where there is an identified conflict of interest.

FUNDING PRINCIPLES & PRIORITIES

Proposals will be evaluated based on specific criteria. Threshold criteria and scored criteria will be evaluated. Each proposal will differ depending on the type of project being evaluated. While proposal evaluations will differ slightly, the information below will serve as a guide on proposal evaluation.

- **Threshold Criteria:** These criteria are mandatory. Each proposal **MUST** be in alignment with these thresholds.
- **Scored Criteria:** These criteria will be scored, the proposal(s) with the highest scores will be selected.

Threshold Criteria

Proposals must:

- Be financially sound
- Create long-term benefits for Pocket residents
- Produce tangible outcomes
- Have appropriate administrative and operating costs
- Preserve the architecture and culture of residents of existing neighborhoods

Housing proposals will support households that are below 80 percent AMI, especially households below 50 percent AMI.

Economic development proposals will promote neighborhood businesses and/or employment, including startup businesses, self-employment, existing businesses or entrepreneurship of Pocket residents.

Scored Criteria

Scored criteria will be used to evaluate and choose between different proposals. These criteria include:

- Leverage other funding sources
- Complement rather than substitute for or duplicate funding sources that support existing programs
- Coordinate efforts to develop public-private partnerships
- Coordinate housing and economic development activities for neighborhood revitalization
- Build capacity within sponsoring organizations
- Create opportunities for Pocket homeowners, tenants, and business owners to participate in the design, financing, construction and management of the facilities
- Promote self-sufficiency and independence
- Provide services and facilities which lie outside the normal basic service delivery of the City
-
- Balance funding recipients by geography, size, and ownership/leadership
 - o Extra consideration will be given to proposals from firms and organizations that are based within the neighborhoods and communities in which funds will be spent, smaller in size, and/or locally owned or managed. Extra consideration will all also be given to proposals from organizations outside the neighborhood or communities in which funds will be spent, but that has partnered with an organization located within the neighborhood or communities where funds will be spent. HNEDF was established to support Pocket residents, neighborhoods, businesses, and organizations. When the City funds proposals from local businesses and organizations, the funds not only support investment within neighborhoods, but also in local businesses or organizations. In addition, Pocket businesses and organizations are best positioned to understand local needs and how to preserve neighborhood culture, history, and lifestyle. Investing in smaller organizations encourages growth, builds capacity, and promotes community self-sufficiency and independence.
- Include Minority- and Woman-Owned Business Enterprise (M/WBE) firms and organizations in proposals
 - o Pocket neighborhoods are characterized by greater population diversity relative to the region. Historically, businesses and organizations that are minority- or woman-owned have faced greater burdens in starting and sustaining operations and have been less likely to have access to capital resources. Moreover, minority woman-led households have historically faced burdens that limit their access to wealth creation pathways. Encouraging investments in M/WBE enterprises will help enhance pathways to wealth creation for more vulnerable residents.
- Support neighborhoods that have not previously received funding
 - o The City will seek to ensure that neighborhoods that have received less support in the past from the HNEDF have a chance to obtain funding going forward. This principle should be balanced with the need to prioritize resource allocations for the most distressed neighborhoods, regardless of past funding levels, as described above.
- Meets unmet needs for goods and services in the neighborhood.

BALANCE BETWEEN GRANTS AND LOANS

HNEDF is a **dedicated source of funding** for the Pocket of Poverty, meant to provide direct support to Pocket neighborhoods. In keeping with Fund principles, allocations should be directed to maximize the benefit to Pocket residents, businesses, and other beneficiaries. This principle is best accomplished when funds are given to beneficiaries directly as a grant, without expectation of repayment. Therefore, while grants and loans can each be issued in response to an applicant's circumstances, the City should seek to offer grants when it maximizes the benefit to the beneficiary.

There may be instances when the City may wish to consider offering a loan instead of a grant. This decision should **focus on the beneficiary's ability to pay back a loan**. For example, smaller organizations with less revenue may benefit substantially more from a grant and have more difficulty in paying back a loan. Larger and more established entities with greater recurring revenue sources are likely better able to pay back loans and therefore may be a better candidate for a loan. Loans are particularly appropriate for certain construction projects with a clear source of repayment.

The City may also consider funding awards in which **loans may be forgiven if organizations meet specific**

goals such as job creation, offering more deeply affordable housing units, etc.

Regarding loans, it is important to note the **high costs associated with their administrative oversight**. When loans are issued they require oversight and the City must dedicate staff resources throughout the life of each loan. The City is concerned with its ability to consistently provide these services over time.

EVALUATION AND MONITORING STANDARDS

Following the 2002 Plan, there was little institutional knowledge or documentation that can describe whether the projects funded under the guise of that plan were successful. If there were formal evaluation and monitoring procedures in place, there is little documentation detailing those efforts and all City staff from that period have been replaced. While former members of the HNEDF Committee and community organizations offered some qualitative insights about previous plan efforts, they were limited in what they offer.

To avoid this problem in the future, the City should take on a role to monitor how funds are spent and regularly evaluate funded projects against the goals of the 2022 HNEDF Plan. This will require some investment from either the City or the Committee to add the necessary capacity to track allocated funds and the impact those funds have. This should include annual check-ins with project and program managers that benefit from funding, for which they should submit documentation regarding project and program impacts. Such efforts are essential to preserving the Fund's institutional memory and the understanding funding successes and challenges.

FINANCIAL PLAN & OVERALL FUND SUSTAINABILITY

The HNEDF grew from \$4.0M to \$6.3M between 2009 and 2020 as payments were made on outstanding loans and only a few new allocations were made. As of 2020, there was \$630K remaining in expected payments on outstanding HNEDF loans.

Given that this is a ten-year plan, allocations could be made over a ten-year period. The City could allocate roughly \$630K/year to stay on pace throughout the ten years without fully exhausting the Fund before the Plan's term ends. The City may find it advantageous to allocate more money than the \$630K/year in some years and allocate less than that amount in others, varying with the nature of funding opportunities and when they arise. As the City spends above or below the average mark per year, it should adjust how it allocates dollars in future years to preserve funding for opportunities throughout the plan's full ten-year term.

As the 2022 Plan is implemented, new allocations will outstrip income from these remaining loan payments, causing the fund balance to decline over time. Given the persistent needs of Pocket neighborhood residents and businesses, it is likely that **additional economic development and affordable housing support will be needed** in these neighborhoods for years to come. As such, the City and civic and philanthropic partners should anticipate the eventual exhaustion of the HNEDF, whether at the end of this next 10-year cycle or beyond, and work to identify additional programs and sources of funding to support the long-term needs of Pocket neighborhood residents and businesses.

In addition, prioritizing projects that have long-term benefits for Pocket residents and businesses will allow the benefit of HNEDF allocations to extend farther into the future, even if the fund itself diminishes over time.

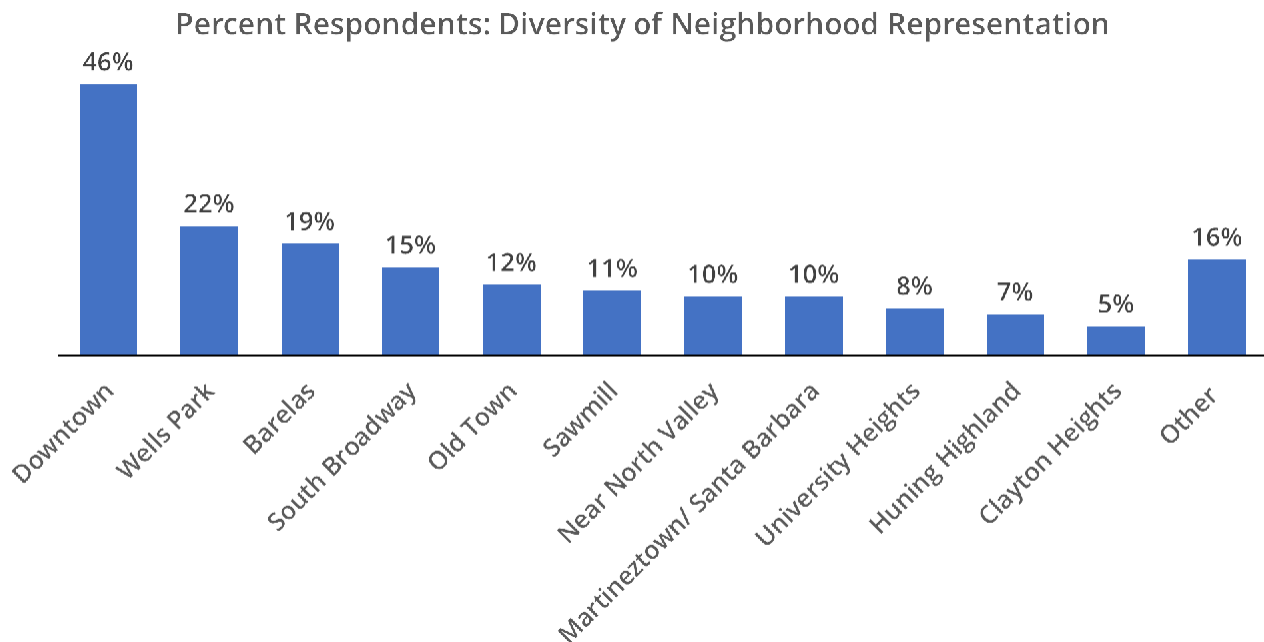
Community Survey

A community survey made available to the public assessed how demographic and socioeconomic data aligned with resident, worker, and student experiences. This survey was accessible online and in hard copy format. The survey included 15 questions related to housing and economic conditions in the Pocket and included additional questions regarding personal demographic information that were optional.

The survey was made available online, on the City's HNEDF project website, accessible via link, QR code, and in paper format at community libraries. Posters and fliers were posted at local community businesses and organizations, including grocery stores, childcare facilities, community-based organizations, coffee shops, restaurants, community centers, libraries, etc. and were shared at neighborhood meetings. Survey information and links were also emailed to neighborhood associations within the Pocket, local churches and community organizations, community leaders, and via community organization list serves. The survey **opened in July 2021 and closed in September 2021**.

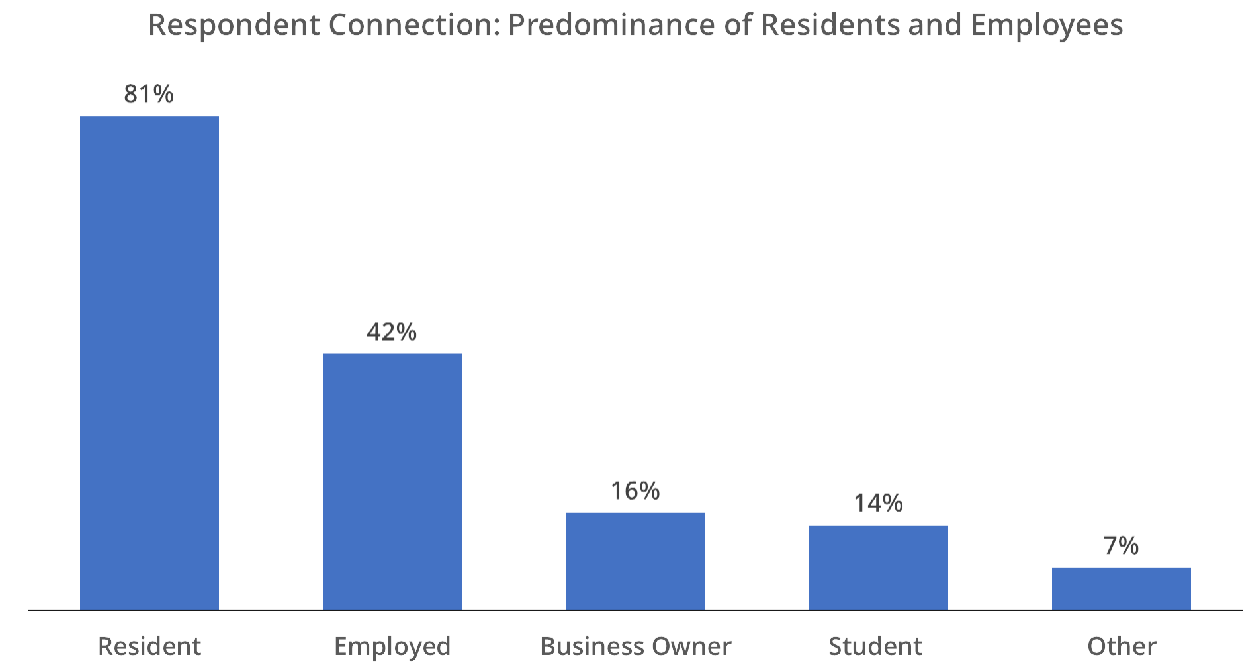
As displayed below in Figures 9 and 10, community members—including residents, workers, business owners, and students—from all Pocket neighborhoods submitted **196 responses**, with the average respondent having lived, worked, or studied within the Pocket for **11 years**.

Figure 9: Respondents by Neighborhood³



³ Percentages may add up to greater than 100% as respondents were able to select more than one choice.

Figure 10: Respondents by Pocket Connection



Respondents answered questions on several different topics related to housing and economic development. As detailed in Figure 11, survey respondents were asked to assess their level of concern regarding different housing topics. Respondents **most often cited concerns about homelessness and housing affordability**. In addition, when asked about overall funding priorities that HNEDF allocations should address, respondents also most frequently **cited housing as the highest-priority challenge** in the Pocket as compared to education, jobs, and support for businesses. These priorities are detailed in Figure 12.

Figure 11: Respondents Housing Concerns

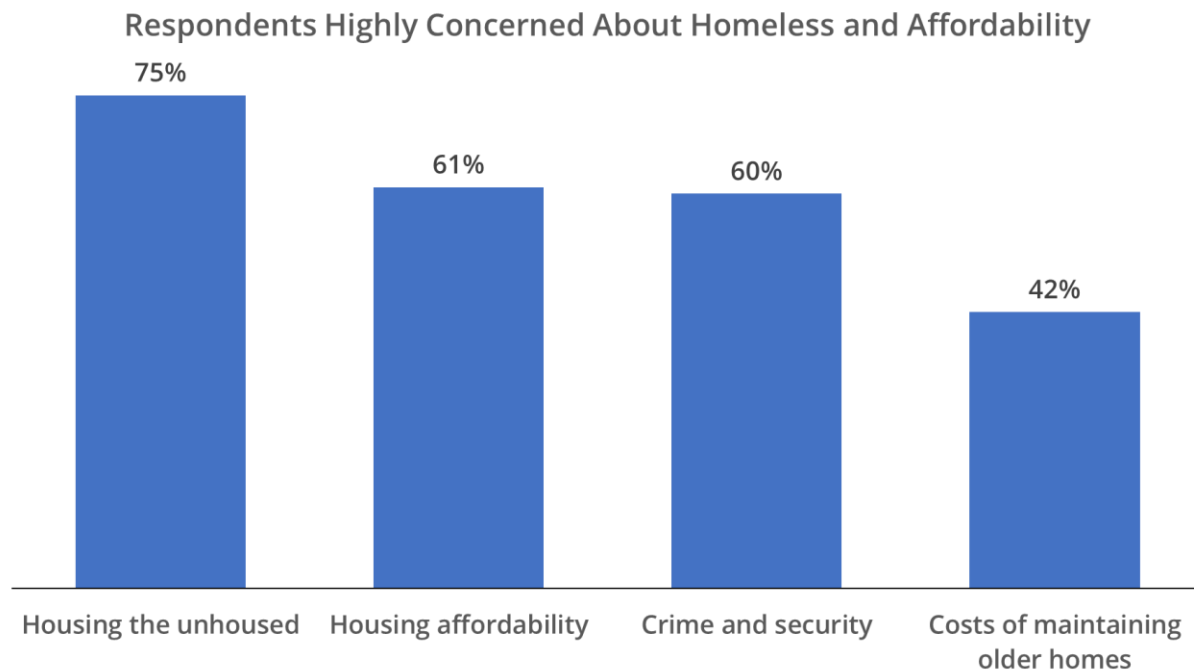
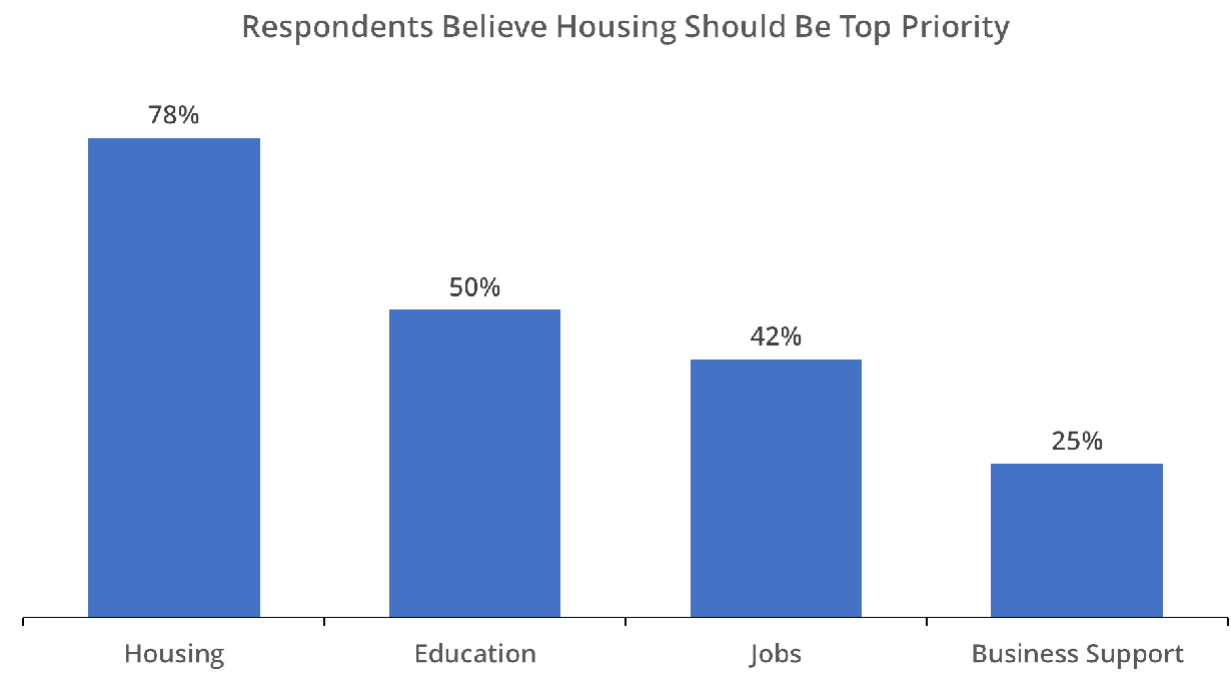
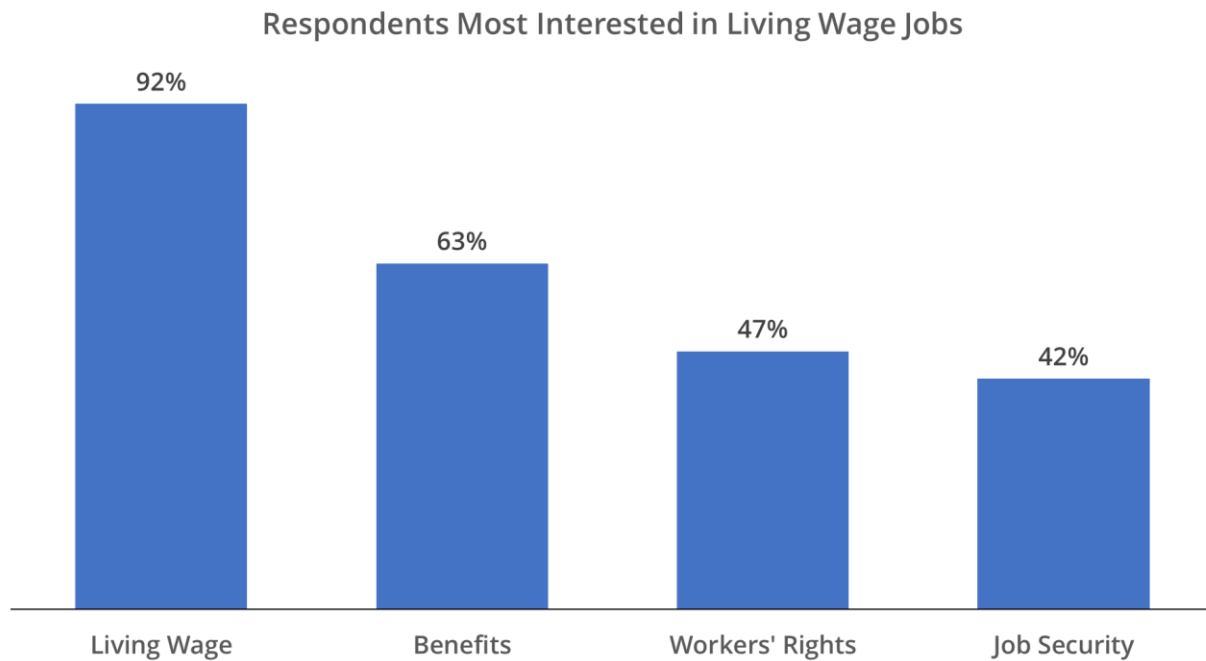


Figure 12: Respondents Funding Priorities



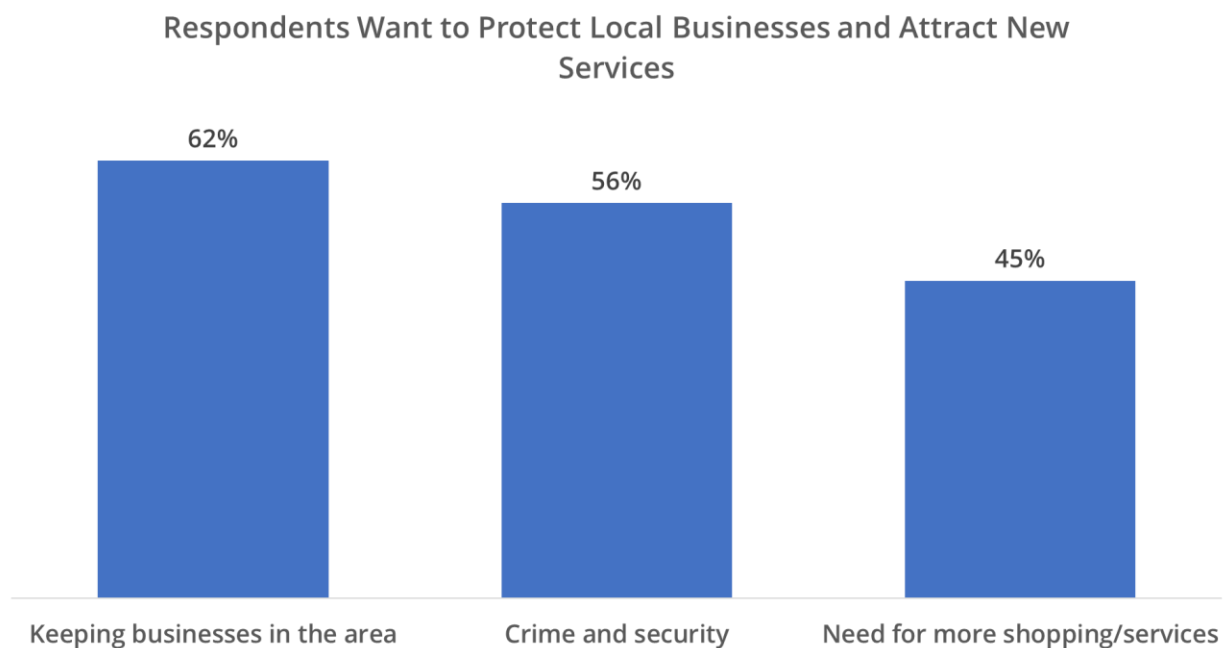
Respondents were also asked about new employment opportunities and their preferred job characteristics and benefits from potential job creation. As shown in Figure 13 respondents were most interested in **quality jobs paying living wages, followed by benefits and workers' rights.**

Figure 13: New Job Characteristics



When respondents were asked about their concerns regarding local small businesses, respondents voiced concerns about **sustaining local businesses, public safety and gaining access to more retail and services**. These results are shown below in Figure 14.

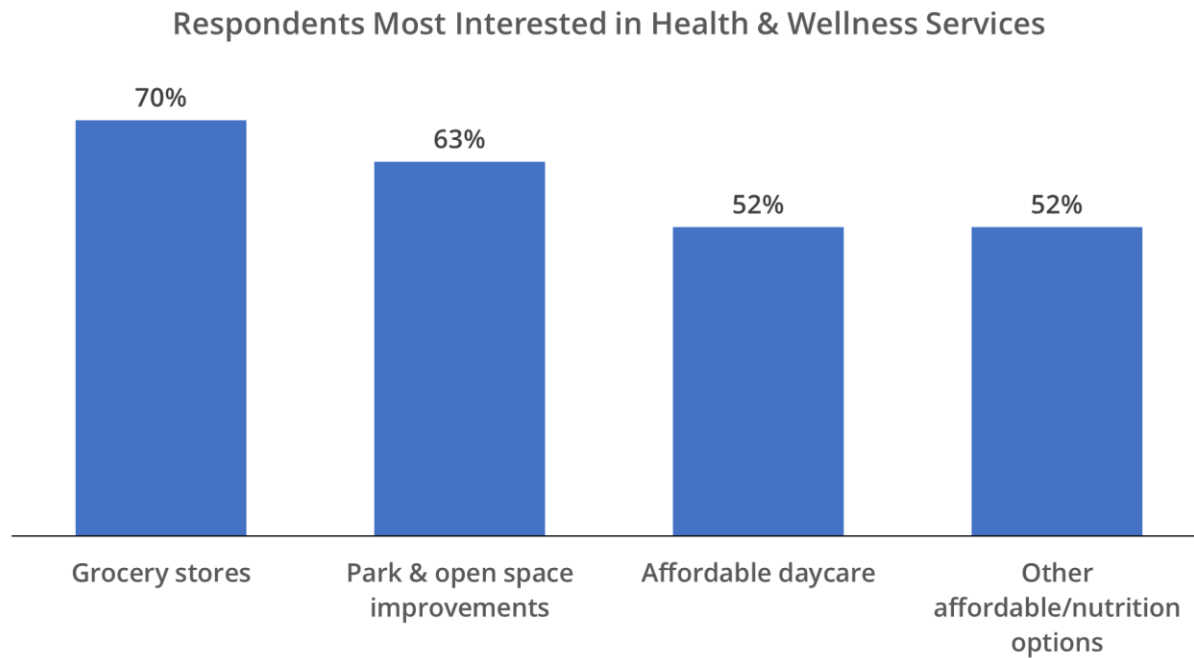
Figure 14: Local Business Concerns



When asked to provide more detail about the types of retail and services respondents would be most interested in attracting to their neighborhoods, they were most interested in new grocery stores, parks and

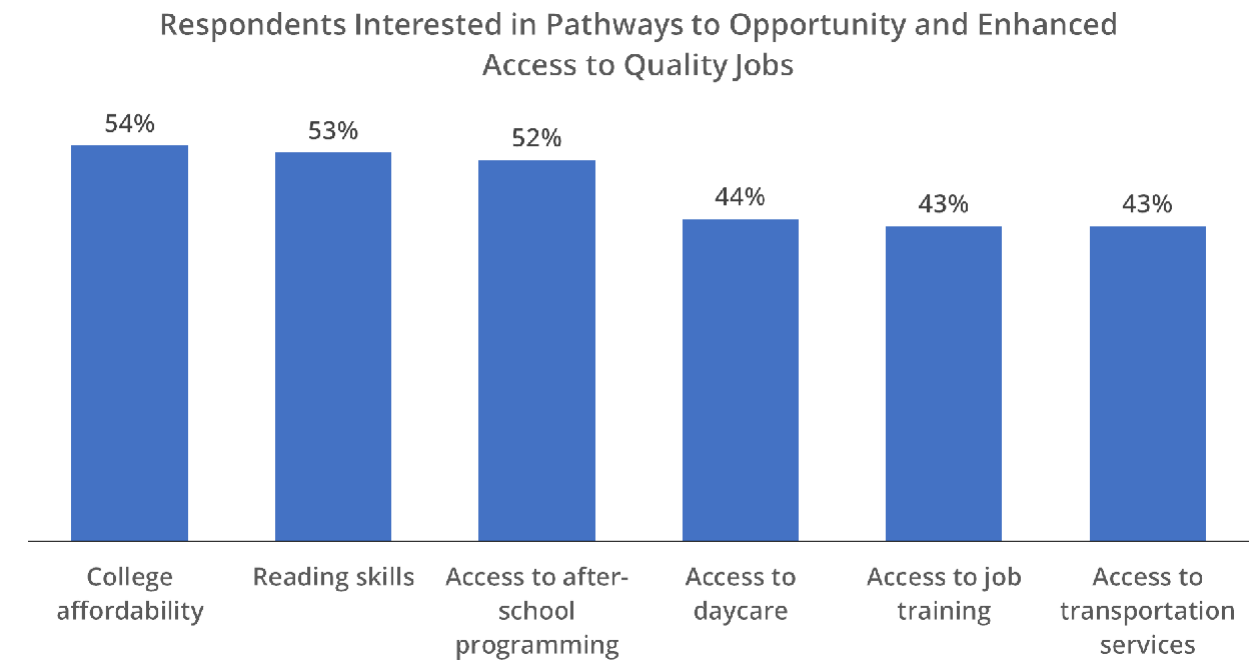
open space improvements, affordable daycare, and affordable nutrition options. As shown in Figure 15, this suggests that respondents are most **interested in services and amenities that promote health and wellness and an overall higher quality of life.**

Figure 15: Desirable Neighborhood Services



Finally, when respondents were asked about their concerns regarding education for students and residents within the Pocket, they were most concerned about access to services that create **pathways to quality jobs such as college affordability, resources to support skill development in reading, and job training, or services that support working parents, such as access to after-school programming, daycare, and transportation.** These preferences are detailed in Figure 16.

Figure 16: Education Concerns



Community Visioning Session

On August 10, 2021, the City hosted a community listening workshop with in-person and virtual components. The workshop was physically held at the Barelás Community Center following public health guidelines required at the time and virtually over Zoom. Simultaneous Spanish translation was provided via headphones for in person users and in a separate Zoom breakout room for virtual users. The session was recorded, and both the recordings and presentation slides were posted on the City's 2022 plan website in both English and Spanish.

31 people attended the workshop, of which 7 attended in-person and 24 virtually. Representatives included residents, City staff, community organization leaders, and business owners. The workshop included a project and community analysis overview and a facilitated discussion on community concerns and ideas for future fund impact.

Community members voiced several concerns about different topics including, but not limited to:

- Gentrification and displacement
- Household and resident access to capital
- Homeownership education and support
- Access to capital for start-ups and existing businesses
- Building/home repair and maintenance support
- Need for new housing
- Limited availability of current housing
- Lack of community amenities and services.

Community Group & Stakeholder Interviews

Throughout the plan development phases, community groups and stakeholders were engaged to provide targeted feedback on their areas of expertise and concern relating to housing and economic development within the Pocket. The following groups were consulted:

- Albuquerque Healthcare for the Homeless
- City of Albuquerque Metropolitan Redevelopment Authority
- Greater Albuquerque Housing Partnership
- Homewise
- Sawmill Community Land Trust
- United South Broadway Corporation
- WESST
- Former and current members of the HNEDF Committee
- Several local stakeholders with current and former leadership positions within the Pocket

These groups provided additional information about the following needs within Pocket neighborhoods.

Housing

- Rent-to-own housing options
- Home improvements to support aging-in-place housing for seniors
- Subsidies and pathways for low-income, first-time homeowners
- Production and preservation of affordable housing across housing types with different unit mix and sizes included

Economic Development

- Façade improvements for local small businesses
- Resources to support estate planning for low-income families
- Training and capacity-building opportunities for entrepreneurs and small business owners
- Access to credit for entrepreneurs and small business owners, particularly for minority and woman-owned business enterprises (MWBs).
- Workforce development opportunities to support training in skilled trades
- Direct services to the unhoused population

Community Focus Groups

Four community focus groups were held after the public community workshop at the request of individual community groups:

- 2) A virtual meeting was conducted with 11 members of the South Broadway Neighborhood Association on September 9, 2021. Community members voiced several concerns about different topics including, but not limited to:

- The plan area boundaries specifically related to the inclusion of the primarily business-centric downtown area
- Home renovation and repair needs
- Housing needs – including first time home ownership, rehabilitation, education for first time homeowners and of new and diverse housing stock
- Childcare
- Job training
- Supporting local business retention and attraction along Broadway Boulevard
- Diminishing community resources for City programming and activities within the community
- Providing support to ensure that youth and seniors to remain in the community

Attendees placed particular emphasis on the point that all communities within the Pocket are different. Each have different needs and it is important to listen to each community in developing housing and economic development strategies.

- 3) A well-attended virtual meeting was conducted with the Wells Park neighborhood on September 14, 2021. Neighborhood residents expressed opinions including:
 - Plan should prioritize neighborhoods that have not received funding previously.
 - Plan should distinguish between issues faced by Wells Park vs. Sawmill, though the neighborhoods have historically been grouped together.
 - Single family housing in the neighborhood is insufficiently affordable.
 - Plan should support infill development.
- 4) On September 16, 2021, the Santa Barbara/Martineztown annual neighborhood association meeting included a focus group on the upcoming 2022 Plan. The meeting was well attended. Community members voiced several concerns about different topics including, but not limited to:
 - Education for homeowners on financial options to retain homes
 - Funds for housing rehabilitation and renovation
 - Job training
 - Facilities for community members to sell products made in the community
 - Parent-child education
 - Assistance accessing community service and benefits programs.
- 5) On September 23, 2021, six participants joined a focus group with the Barelás Community Coalition. Community members voiced several concerns about different topics including, but not limited to:
 - Prioritizing smaller housing to provide affordable housing for community members
 - Supporting a vibrant commercial corridor on 4th street,
 - Façade improvements
 - Gentrification prevention
 - Organizational capacity building for existing community organizations.

The discussion also included prioritizing funds for projects in the pipeline and projects led by organizations with proven organizational capacity and direct ties connections to the community.

Summaries of each community meeting were developed for each of the facilitated meetings and sent to community participants for review and comment.

CITY of ALBUQUERQUE

TWENTY FOURTH COUNCIL

COUNCIL BILL NO. F/S R-20-75 ENACTMENT NO. R-2020-094

SPONSORED BY: Borrego, Peña, Sena

1 RESOLUTION

2 STRENGTHENING AND RE-AFFIRMING THE CITY OF ALBUQUERQUE'S
3 COMMITMENT TO ADDRESSING RACIAL AND SOCIAL INEQUITY.

4 WHEREAS, Article VIII of the City Charter states that, "The Council shall
5 preserve, protect and promote human rights and human dignity...and shall
6 prohibit discrimination on the basis of race, color, religion, sex, national origin
7 or ancestry, age or physical handicap"; and

8 WHEREAS, the Albuquerque City Council affirmed its commitment to non-
9 discrimination and equal opportunity through passage of Ordinance 106-1973
10 establishing the Human Rights Board, Ordinance 2-6-5-1, et. al. seq.,
11 establishing the Americans with Disabilities Act Advisory Council, Ordinance
12 5-6 ROA 1994 establishing the Minority Business Enterprise act, Commission
13 on American Indian and Alaska Native Affairs, Ordinance 2-6-6-1, et. al. seq.,
14 and R-18-7 strengthening the City's status as an immigrant friendly city; and

15 WHEREAS, the City of Albuquerque Cultural Services Department in June
16 of 2020 established the Race, History and Healing Project, steered by a
17 community engagement team to support meaningful and difficult
18 conversations about Albuquerque's shared cultural resources with an open
19 invitation to all community voices and a steadfast commitment to collective
20 solution building; and

21 WHEREAS, The City of Albuquerque is committed to working toward better
22 addressing racial disparities, and to achieving equity across all populations
23 and indicators; and

24 WHEREAS, The City of Albuquerque is committed to working toward better
25 addressing racial disparities and equity concerns in all programs, services,
26 commissions, boards, budgets, and CIP services; and

1 WHEREAS, The City of Albuquerque defines inequities as disparities in
2 health, mental health, economic indicators, housing, education, or social
3 factors that are systemic and, therefore, considered unjust or unfair; and

4 WHEREAS, the City acknowledges that structural and institutional racism,
5 have led to racially disparate outcomes in many aspects of quality of life; and

6 WHEREAS, for the purposes of this legislation the following definitions are
7 adopted:

8 “Equity” recognizes that advantages and barriers exist and that not
9 everyone starts from the same place. Equity means eliminating disparities in
10 policy, practice and allocation of resources so that race, gender, religion,
11 sexual orientation, income and zip code do not predict one’s success while
12 also improving positive outcomes for all.

13 “Diversity” means the presence of different races, genders, ethnicities,
14 religions, abilities, nationalities, and sexual orientations in decision making.
15 Diversity exists within groups among people of color and in relationships with
16 others, particularly people of color.

17 “Inclusion” means diverse people with different identities feel welcomed
18 and valued; and

19 WHEREAS, race and social equity require partnership in the planning
20 process resulting in shared decision-making and more equitable outcomes
21 that strengthen the entire city; and

22 WHEREAS, because the City benefits from the diversity of its population,
23 the city desires to incorporate the expertise of those most negatively impacted
24 by inequity in the identification and implementation of policies, programs, and
25 budget processes and decisions; and

26 WHEREAS, 59% of the residents of Albuquerque are people of color and
27 our city is becoming more diverse, with growth driven by communities of
28 color; and

29 WHEREAS, working poverty is on the rise in Albuquerque, with too many
30 fulltime workers of all backgrounds not earning enough to make ends meet;
31 and

1 WHEREAS, 18% of male and 26% of female Native American adults aged
2 25-64 working full time in Albuquerque still live below 200% of the Federal
3 Poverty Level; and

4 WHEREAS, 25% male and 18% of female Asian or Pacific Islander adults
5 aged 25-64 working full time in Albuquerque still live below 200% of the
6 Federal Poverty Level; and

7 WHEREAS, 18% male and 15% of female Latino adults aged 25-64 working
8 full time in Albuquerque still live below 200% of the Federal Poverty Level; and

9 WHEREAS, 16% male and 18% of female Black adults aged 25-64 working
10 full time in Albuquerque still live below 200% of the Federal Poverty Level; and

11 WHEREAS, 8% male and 6% female White adults aged 25-64 working full
12 time in Albuquerque still live below 200% of the Federal Poverty Level; and

13 WHEREAS, the basic premise of equity holds that cities can attain stronger
14 and more resilient economic growth for everyone by working toward racial
15 and social equity; and

16 WHEREAS, According to the Equity Profile of Albuquerque conducted by
17 PolicyLink, people of color pay too much for housing in Albuquerque, whether
18 they rent or own, with Asian and Pacific Islander populations having the
19 highest rate of homeowner housing burden, and more than half of Black and
20 Latino renter-occupied households paying more than 30% of their incomes in
21 rent; and

22 WHEREAS, For the first time in 2018, the City of Albuquerque began
23 collecting demographic data on the ownership of companies with whom it
24 does business; and

25 WHEREAS, The Minority Business Enterprise Ordinance calls for the City
26 of Albuquerque to actively solicit information from such firms regarding
27 unnecessary problems, requirements, or barriers involved in doing business
28 with the city that might be ameliorated, such as the inability to obtain bonding,
29 financing, or technical assistance; and

30 WHEREAS, The Minority Business Enterprise Ordinance supports the City
31 of Albuquerque to encourage prime contractors providing goods and services
32 to the city with regard to subcontractors involved in such work to assure a fair
33 share of business for minority and women business enterprises; and

1 WHEREAS, the City of Albuquerque has begun to collect and analyze the
2 demographic information of applicants for city jobs, new hires and incumbent
3 employees that will be used to help guide decision making; and

4 WHEREAS, All persons authorized to work in the United States, regardless
5 of nationality or citizenship, are entitled to fair and equitable access to
6 municipal jobs, and benefits; and

7 WHEREAS, the strategies necessary to address racial and social equity
8 transcend any one department and require intention and action at the policy,
9 process, program and service delivery levels of municipal government; and

10 WHEREAS, the establishment of racial equity goals and action plans by
11 each department serves to catalyze the actions necessary to achieve those
12 goals and objectives; and

13 WHEREAS, applying a racial equity analysis may assist departments in
14 examining the distribution of benefits and burdens of municipal decision-
15 making processes; and

16 WHEREAS, the establishment of the Office of Equity and Inclusion as a
17 Director level Department demonstrates the City of Albuquerque's
18 commitment to advance racial and social equity; and

19 WHEREAS, the Office of Equity and Inclusion's role is to inspire and equip
20 city government by providing education, training, data, analysis, tools and
21 other support necessary to achieve equity goals; and

22 WHEREAS, The Office of Equity and Inclusion has been established to
23 provide technical assistance, training and tools to all City of Albuquerque
24 departments and divisions to ensure inclusive outreach and equitable
25 opportunities for all people.

26 BE IT RESOLVED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY OF
27 ALBUQUERQUE:

28 Section 1. The City of Albuquerque Office of Equity and Inclusion shall
29 recommend to the Mayor indicators related to equity and inclusion to be
30 included in the City's five-year goals, guided by the following principles:

31 Committing to Equity, Embedding Equity: Performing an equity analysis
32 prior to executing decisions;

1 **Ensuring Equity in Resource Allocation:** Equitably distributing resources
2 and services to vulnerable groups;

3 **Striving for Equity and Inclusion in Public Messaging:** Conducting targeted
4 outreach, in languages accessible to non-English speakers and other
5 marginalized groups;

6 **Being Transparent and Using Data in Decision-making:** Capturing and
7 analyzing data and using it to help guide decision making that would aim to
8 reduce disparity;

9 **Involving persons and communities of color and social diversity in the**
10 **decision-making processes:** Using equity analysis as put forth by the City of
11 Albuquerque to endeavor to meaningfully involve persons and communities of
12 color, those experiencing poverty, and people living with disabilities and of
13 social diversity in the decision-making process while abiding by process
14 transparency and responding in a way that is accountable to all communities.

15 Section 2. The City of Albuquerque shall use Racial Equity Toolkits and
16 other best practices and technical assistance to understand the distribution of
17 benefits and burdens of policy, process, program and budget decisions
18 wherever practicable.

19 Section 3. The City of Albuquerque Office of Equity and Inclusion shall
20 conduct targeted, mandatory trainings for City of Albuquerque administrators
21 including the Mayor's Office, City Councilors, Department Heads and other
22 staff as appropriate, to include, but not be limited to, curriculum developed by
23 the Office of Equity and Inclusion, Racial Equity Tool Kits and other best
24 practices, subject to budget, and time constraints and staffing availability, and
25 endeavor to provide trainings to other non-mandatory staff as budget, time,
26 and staffing allow.

27 Section 4. The City shall support the start-up and growth of businesses
28 owned by people of color and women through inclusive contracting and
29 creating equitable business support systems, intentionally seek to remove
30 barriers for entry and build capacity within the small business community.

31 Section 5. The City shall prepare youth and workers of color for
32 tomorrow's jobs by growing local talent through education and workforce
33 strategies that equip youth and workers with the skills and encourage but not

1 fund postsecondary education or credentials needed for careers in growing
2 industries.

3 Section 6. The City shall ensure equal access to affordable and quality
4 housing by following goals, policies, and actions included in the City of
5 Albuquerque & Bernalillo County (ABC) Comprehensive Plan that are intended
6 to help expand housing type options, ensure affordable housing in rural,
7 suburban, and urban locations, and address housing and related services for
8 vulnerable populations and those experiencing homelessness.

9 Section 7. The City, shall begin to complete a data collection plan and
10 shall consult with the City Attorney or their designee prior to finalizing such
11 plan. The plan shall include a process to begin collecting and reviewing
12 demographic and geographic data in the delivery of programs and services
13 and in community engagement processes. The Office of Equity and Inclusion
14 shall regularly review and provide recommendations on indicators of
15 important community conditions related to equity and inclusion, for the City's
16 five-year goals. The Mayor's Office and City Council shall receive annual
17 reports from the Office of Equity and Inclusion outlining the results of
18 demographic and geographic data to inform future decision-making regarding
19 policies and practices. The Office of Equity and Inclusion may propose to the
20 Mayor ways to arrange for statistically sound analysis to identify trends in the
21 data that encompass both historic and future impacts. During the pendency of
22 *United States v. City of Albuquerque*, 14-cv-1025, no City department, other
23 than as identified in a court order, shall collect data from Albuquerque Police
24 Department or make recommendations to the Albuquerque Police Department
25 based on a data analysis. Each Department shall identify an equity liaison who
26 shall report directly to the head of the Department and who will be responsible
27 for managing and reporting on that Department's equity assessment program.

28 Section 8. With the assistance of the Office of Equity and Inclusion, each
29 Department shall conduct a racial equity assessment and develop a racial
30 equity action plan of that Department's practices, policies, expenditures, and
31 distribution of resources which will be included in the budget process.

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1 Section 9. During the City's annual budget review process each agency
2 shall include in its report to City Council an equity note for internal review;
3 and City Council may ask questions as needed.

4 Section 10. The Mayor's Office and City Council will endeavor to work with
5 the Office of Equity and Inclusion to review the City's Public Boards,
6 Commissions, and Committees Ordinance and explore opportunities for
7 furthering the City's commitment to racial and social equity and inclusion on
8 local advisory boards.

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1 PASSED AND ADOPTED THIS 9th DAY OF September, 2020
2 BY A VOTE OF: 9 FOR 0 AGAINST.
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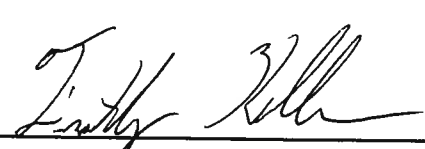


9 Patrick Davis, President
10 City Council
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14 APPROVED THIS 26 DAY OF September, 2020
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17 Bill No. F/S R-20-75
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Timothy M. Keller, Mayor
City of Albuquerque

ATTEST:



Ethan Watson, City Clerk

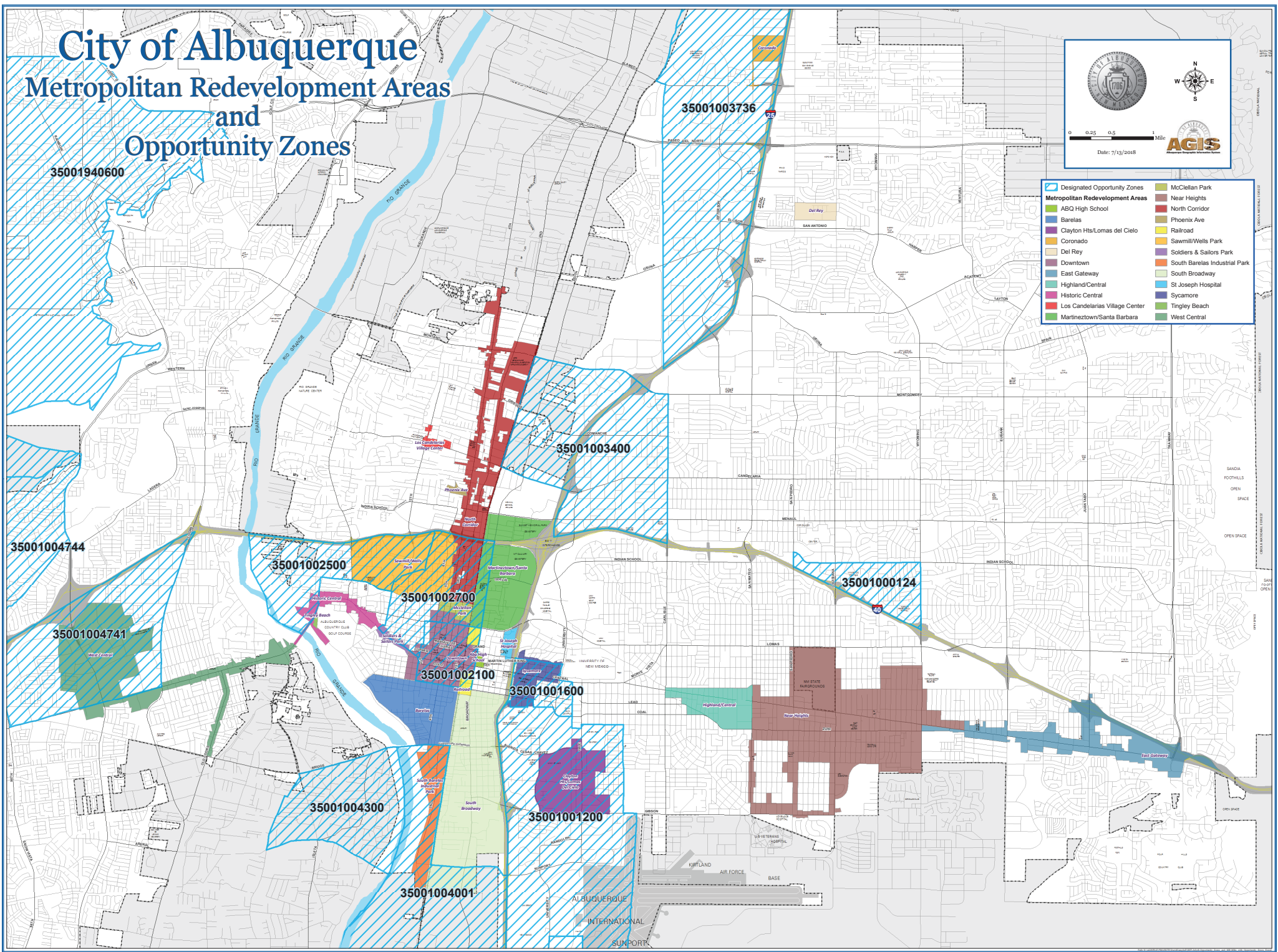
City of Albuquerque

Metropolitan Redevelopment Areas and Opportunity Zones





Date: 7/13/2018



- Designated Opportunity Zones
- Metropolitan Redevelopment Areas
- ABQ High School
- Baretas
- Clayton Hills/Lomas del Cielo
- Coronado
- Del Rey
- Downtown
- East Gateway
- Highland/Central
- Historic Central
- Los Candelarias Village Center
- Martineztown/Santa Barbara
- McClellan Park
- Near Heights
- North Corridor
- Phoenix Ave
- Railroad
- Sawmill/Wells Park
- Soldiers & Sailors Park
- South Baretas Industrial Park
- South Broadway
- St Joseph Hospital
- Sycamore
- Tingley Beach
- West Central