

August 15, 2019

TO: Economic Development Department, City of Albuquerque  
FM: Jim Kumon, Executive Director, Incremental Development Alliance

RE: Report on 13-14 August 2019 Implementation Clinic

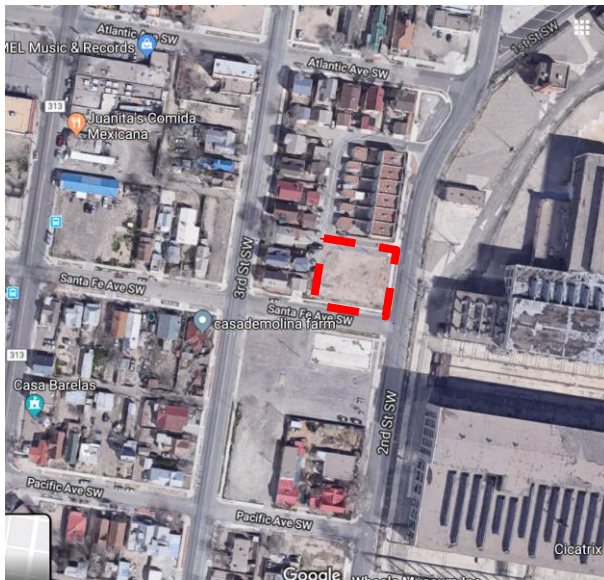
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This is a summary report from the issues and opportunities raised during a series of meetings that were convened over two days by City of Albuquerque staff with various departmental representatives, development and finance stakeholders, and John Anderson, Senior Faculty with the Incremental Development Alliance.

In the first session, a mix of city staff and local development professionals were assembled to identify common and particular development barriers.

The group reviewed a number of development scenarios on a test site composed of four contiguous city-owned sites in Baretas on 2<sup>nd</sup> and Santa Fe, across the street from the Rail Yards edge.

SITE – 120' X 90' with Alley Access, Zoning: R-ML



As the group looked at the scenarios including:

- TWO SINGLE FAMILY RESIDENCES
- 14-16 APARTMENT RESIDENCES
- 3-4 RESIDENCES – TOWNHOUSES
- 8-12 RESIDENCES – 3 FLAT
- 6 COTTAGES
- 6 LIVE/WORK

Given the zoning code’s dimensional standards and other requirements, most of these building types can fit on these lots and be legally built without (m)any additional approvals. Some garages could not fit because of the 15’ rear set back (even though existing garages on the alley look to have less), but surface parking was still possible on the test site layouts. What enabled such a range of potential building types to work was location-specific conditions of inclusion in a premium transit zone, and Barelás Character Protection Overlay (CPO) which reduced onsite parking burden, a lack of side setbacks and no prohibitive minimum lot size. The alley also helped with the site’s development flexibility.

The two modifications could be for garages to be allowed within a 3’ setback and maybe allow for a carriage apartment. Setback more than 3-5’ on an alley site seems unnecessary. Other modification to the code would allow for the building to wrap the entire corner and not be limited by the rear setback (it creates a 15’ wide gap on the side of the alley).

<b>2ND AND SANTA FE - INCREMENTAL DEVELOPMENT CASE STUDY</b>					
<i>LOT SIZE</i>	10,800				
<i>ZONE</i>	R-ML				
<i>TRANSIT</i>	MS-UC-PT				
<i>OVERLAY</i>	CPO-1 - BARELAS				
	<b>TOWN HOUSE</b>	<b>APARTMENT</b>	<b>COTTAGE</b>	<b>LIVE/WORK</b>	<b>SINGLE FAMILY</b>
<i>LOT SIZE</i>	2,200 MIN	5,000 MIN	10,000 MIN	N/A	2,500
<i>LOT WIDTH</i>	22'	50'			
<i>HEIGHT</i>	35'	35'	35'	35'	25'
<i>SETBACK (CPO)</i>					
<i>FRONT</i>	10'	10'	10'	10'	10'
<i>SIDE (PT)</i>	NONE	NONE	NONE	NONE	NONE
<i>REAR</i>	15'	15'	15'	15'	15'
<i>PARKING</i>					
<i>ALLEY ACCESS</i>	REQ	REQ	REQ	REQ	1/DU (UP TO 2B)
<i>PARKING REQ</i>	1/DU (UP TO 2B) 2/DU (3B+)	1/DU	1/DU	1/DU (MSUCPT)	2/DU (3B+)
<i>CPO REDUCTION</i>	50%	50%	50%	50%	50%

#### THOUGHTS ABOUT NEXT STEPS

A number of actions were identified and are listed in the section following this one. Some initial sorting was done by a small group of city staff and Inc Dev into “essential” and “nice to have” categories, with several actions yet-uncharacterized. Actions advance either the direct work of small developers or the regulatory and financial contexts (or ecosystems) in which they work. Most, but not all of the actions identified for local government involved alignment within the two ecosystems.

What’s needed now by City government to enable more small development in Albuquerque. This task is itself *incremental*. Deciding exactly what to do next, at every step, is important. Incremental developers have the benefit of quick feedback loops by which to judge the usefulness of each of their actions—costs and revenues are simple means by which to measure such actions. Local government has a harder task in some ways because while feedback may be abundant, there aren’t widespread practices for incorporating it into ongoing departmental work. In which case, feedback that doesn’t funnel into evolution is simply lost.

The most immediate need is for the city to set up an ongoing practice to continue to identify, manage and implement action steps from among the list below and others as they emerge. This should continue until you see results in Albuquerque over weeks, months, and years - on the way to building the city you want to see.

It was clear to the attendees of the last session that they can't make all this happen on their own. Some specific departments and divisions were identified including Solid Waste, DMD, Water, and Finance – who note, did not participate in clinic despite being specifically invited. In the Alliance's opinion, their absence speaks volumes to their lack of interest or understanding that there are deep coordination problems that need collaborative resolution. There was a sense of disappointment, but not surprise that these departments did not show up. This should be a warning sign to top city management officials that there are issues within the coordination of the departments that affect the building and development process.

There are some general best practices to consider when moving forward this dialog within the many city departments:

- Actively engage and involve everyone who will be needed to create the city everybody wants
- Make sure you've identified all the things that are most important
- Maximize transparency to get best and earliest feedback and respond to it most easily and effectively
- Identify/agree on prioritization criteria
- Break the resulting top priorities into discreet tasks and work teams
- Identify and manage all the ancillary issues/obstacles to be addressed with leaders, subject matter experts and stakeholders
- Clarify and agree on roles, teams, schedule and commitments for action
- Establish progress metrics, including how they are tracked, by whom and how they are reported

The important thing is to get started in a way that will get first things done quickly, scale that success, and make it easier to keep it going.

## NEXT STEPS GENERATED FROM DISCUSSIONS

### Essential (a partial list)

1. **CONVENE MONTHLY INFORMAL SMALL DEVELOPER MEET UPS** – Invite existing small developers to organize monthly meet ups and have them invite other small developers and those interested, as well as city staff. As long as participants get more from these than it takes to organize them, they'll continue to attend, share what they're learning in their own projects, generate ideas, spark collaborations and advance their own practice of incremental development. While these are best organized and attended by small developers, city staff can also attend and learn who is developing in what places, hear emerging ideas, and direct folks to other staff who might be able to answer city-related questions that come up.
2. **ESTABLISH CONSTRUCTION TO PERMANENT FINANCING PATHWAYS FOR 1-4 UNIT BUILDINGS.** Use existing stakeholder relationships (Homewise, The Loan Fund, MFA) convene lenders from local banks and credit unions to better understand 1-4 unit projects beyond the single family

home loans they are most familiar with. With more willing take out financing, construction loan lenders will be more willing to make their loans.

3. **CREATE A LOAN GUARANTEE FUND** for construction financing for small development projects. The purpose of this fund is to provide the necessary resources to obtain construction and permanent loans without the need to borrow the credit of a private investor (which comes at a high price and often requires a deep amount of ownership stake). With the assistance of the stakeholders above, particularly Mike Loftin and Leroy Pacheco, and IncDev, produce an initial outline for such a fund as a first step.
4. **ESTABLISH A CLEARER REVIEW PROCESS FOR BUILDING PERMITS.**
5. **MEMORIALIZE STAFF DECISIONS ON ISSUES OF INTERPRETATION** to establish precedents across different inspectors, examiners and approval staff. Do so in writing, and devise a way these can be easily accessible to both City staff and applicants from among the development community. These could be essentially “case studies” that memorialize code interpretations by staff and treated almost like legal case law as codified precedent.
6. **TRAIN MORE SMALL DEVELOPERS.** Using existing diverse networks may reveal people already active in development-related or adjacent occupations or activities with an interest in doing more.
7. **CONDUCT AN INCDEV “DEVELOPMENT SIMULATION”** - an exercise using small buildings focused on one or more specific geographic areas (including those existing small developers are already active in), that runs a small set of market-feasible building types on specific, on typical, replicable, representative lots through the entire approvals process to flag barriers to development and areas in need of alignment to facilitate easier and more incremental development. This will achieve several of the related steps identified in previous conversations, including:
  - a. **Identify “administrative contamination”** – instances of zoning and other regulatory rules not quite fitting reality of conditions on the ground. The standard for a variance demonstrating “hardship”, which in such cases could be quantified in less developable area for the property owner resulting in less taxable value for the public and a diminished amount of local buying power able to support neighborhood retail services all as a result of the prohibition. The remedy is either a variance or amendment to the Integrated Zoning Ordinance (IDO). Ordinances are living documents and getting this one right by calibrating it to enhance, even optimize, its ability to enable the best conditions for desired and valuable development that adds value (to the property, the neighborhood, the city and the taxpayer) should be a shared goal across departments. This includes taking sample projects through full site plan review on real sites so that ALL review bodies have to comment and think through cross-departmental issues. The goal is to get to yes. This includes considerations for water, sewer, stormwater, fire, planning, economic development, and streets/alleys/ROW.
  - b. **Test IDO against construction costs and locally achievable rents and sale prices.** Just because zoning rules allow certain development types does not mean those types can be cost-effectively built. Waiting for development to happen because the IDO now allows it could unknowingly result in no development happening if the costs to build the

desired and allowable building exceed the local rent or sales prices. Understanding just how different the cost to build a particular building type (e.g. duplex, townhome, cottage court, etc) in Albuquerque compared with the achievable revenue in that location enables the city to see just how much of an effort it needs to expend to reduce the cost to build. Rightsizing regulations is cheaper than subsidizing development to overcome the higher costs of those sub-optimal regulations. Though, in practice, some regulations do have benefits and just cost more. These should be considered for subsidy first. Such an example could be fire suppression requirements in second story mixed occupancy buildings where the resulting density and its benefits (street life, buying power to support local retail, etc) are often public policy or departmental programmatic goals. Prioritize areas where such goals exist and are being made nearly impossible by the hard to see regulatory conditions.

- c. **Test IDO against good urban design and planning.** While this was a focus of IDO changes, there are likely areas in which the resulting regulations can be improved to fit local conditions and not preclude the desired outcomes. The group discovered some requirements for sight lines in alleys which could be an example of overregulation over the least important sides of buildings (the backs) having negative spillover effects on the overall site plan or quality of the side of the building of most importance (the front).
8. **VALUE PER ACRE (VPA). Establish a practice of making the value of every building explicitly visible during all approvals and planning actions and decision making** (e.g. on all building permits and planning applications). Taxable Value per Acre is a simple, common and universal measure for a development's productivity and net municipal benefit. Cities are applying it to all new and renovated buildings to help all staff and approving bodies understand a project's contribution to the local tax base and economy and to help reinforce among city staff their potential role in maximizing such benefits through ease of permitting and approvals.

VPA can be calculated using the square foot construction costs and number of square feet in the building over the number of square feet of the property. Applying the measure to the building types on the test site in the table above would provide a relative measure of their productivity. One could use \$125/SF as an average basic construction cost in Albuquerque which tend to range between \$100 and \$150 for basic construction. Final assessed value can be used for completed buildings. VPA can also be usefully translated into the more widely understood "social math" (comparing the cost of something unfamiliar with something more familiar) such as "# of police or teachers supported per acre" or "lineal feet of road resurfacing supported per acre", etc.

Helpful (a partial list)

9. **WATER TAP FEES** - Tap fees and the size of water service lines represent a potential significant cost to small developers. Finding ways to increase predictability, provide early warning and/or quantify costs would be helpful. Review streets designated as "emergency access" and compare to areas Planning determined as "areas of change" and other assessments of potential incremental developability. Waive water tap fees in redevelopment areas.

10. **FIND WAYS TO MAKE TIF WORK FOR SMALL DEVELOPMENT.** Delve deep into what TIF authority can do to facilitate incremental development. Look at how the MRA can expand an existing property-specific TIF into the surrounding blocks (e.g. Albuquerque High into EDO, D’Anza into Nob Hill potentially for infrastructure or other extraordinary costs). Success here, could make current TIFs more catalytic for their neighborhoods.
11. **EXPLORE FURTHER MRA CONTRIBUTIONS WITH REDEVELOPMENT PLAN UNDERWAY** - The MRA director indicated support for incremental development. As her agency undertakes its redevelopment planning effort, partner with her and her staff to evaluate other MRA powers, authorities and resources to unleash the lower-threshold activation power of incremental development, especially in non catalytic project areas and around them where anticipation of catalytic projects has silenced redevelopment in favor of speculation.
12. **ESTABLISH A “SMALL DEVELOPMENT FACILITATOR” FUNCTION.** The developer is typically the efficient cause of all the various city departments addressing a specific site. Big developers have more cache with the mayor and city council members and when their projects have trouble, developers call their council person. Small developers often don’t know the arcana of the department rules and practices, or how the codes are interpreted. Re-establishing ABQ’s practice of a Development Facilitator whose job it is to get to yes, would address this issue. The person would act as a gatekeeper amid electronic submissions to ensure reviewers release their approvals to subsequent reviewers. Measure and track project throughput for data-informed improvements and use VPA to reveal the benefits of timely approvals.

#### Yet-Uncharacterized

13. **LOT CONSOLIDATION** - Review conditions for lot consolidation. Determine whether the administrative approvals and DRB (Development Review Board) levels of review fit various types and sizes of projects.
14. **BUFFERING** - The word itself conveys being protected from something undesirable. More legal, taxable civilization that supports a level of neighborhood amenities and services shouldn’t be treated as an affront to neighbors. Review such regulations to ensure they are not impeding developability on lots with common site conditions in target areas. (Lot width, presence or absence of an alley, required levels of onsite parking are some typical impediments that buffering may exacerbate).
15. **FIRE & LIFE SAFETY REGULATIONS** -
  - a. Establish a standard for the commonplace condition of an adobe wall and its fire rating. Whether adopting other New Mexican municipal practices (e.g. Gallup), referencing research and testing found in other states, or orchestrating a local test with the aid of UNM or Sandia, show Fire how and what conditions provide the desired level of protection.
  - b. Alley Widening - learn the stated reason behind the redevelopment requirement to add 5’ to alley width
  - c. Consider “thresholding” sprinkler and fire suppression requirements. Have a leaner set of requirements for small buildings (perhaps 10,000 SF or less) which happens to be the size of a typical 3-story, 12 unit building (about the largest building a small developer will build). Calibrate occupancy, rated corridor, sprinkler and other applicable

regulations. In some ways, the existing “Fire 1” and Fire 2 processes are similar to thresholding if there were clear criteria for Fire 1.

- d. Explore the applicability of fire protection grants, TIF or other financing. These could be similar to facade grants, targeted for making up for the cost : revenue gap in redeveloping certain building types in a particular area (e.g. downtown, neighborhood commercial districts, etc). Consider TIF or other-based financing for extraordinary costs such as a 2<sup>nd</sup> rated stair. (2<sup>nd</sup> means of egress, or second layer of materials which are common fixes but those that rents usually can’t cover. E.g. if the remedy adds more than \$10/SF, the fund will cover that cost and recover it in the gained taxes over time (or another recovery mechanism). This requires ED to understand local rents and typical such costs. Solution sometimes include reducing the # of units, which reduces Occupancy, and thus associated requirements.
18. **REVISIT IMPACT FEES** - These are one size fits all fees that do not take into account the differential positive impact (VPN and other) of urban infill and redevelopment.
19. **REVIEW STATE LAW ALLOWING TWO KITCHENS IN A DWELLING UNIT.** See if it enables new and possibly innovative site configurations of building types that could increase density and aid affordability in some ways.
20. **REVIEW IMPLICATIONS OF WAREHOUSE RETROFITS** (E.G. Denver’s code update, Oakland’s local addenda),
21. **REVIEW IMPLICATIONS FOR “PINK ZONES”** where red tape is diluted for buildings smaller than a certain size (e.g. 3,000 SF)
22. **INVENTORY TOP 50 REDEVELOPED BUILDINGS** - as to their existing equipment, configurations and suitability for particular kinds of uses and tenants. Match make with tenants or buyers needing such space and have a fund to assist in financing any remaining changes.