

# Volcano Heights Sector Development Plan: Fiscal Impact Analysis

August 2013

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Prepared For: City of Albuquerque



A GATEWAYPLANNING and Balfour Beatty Company



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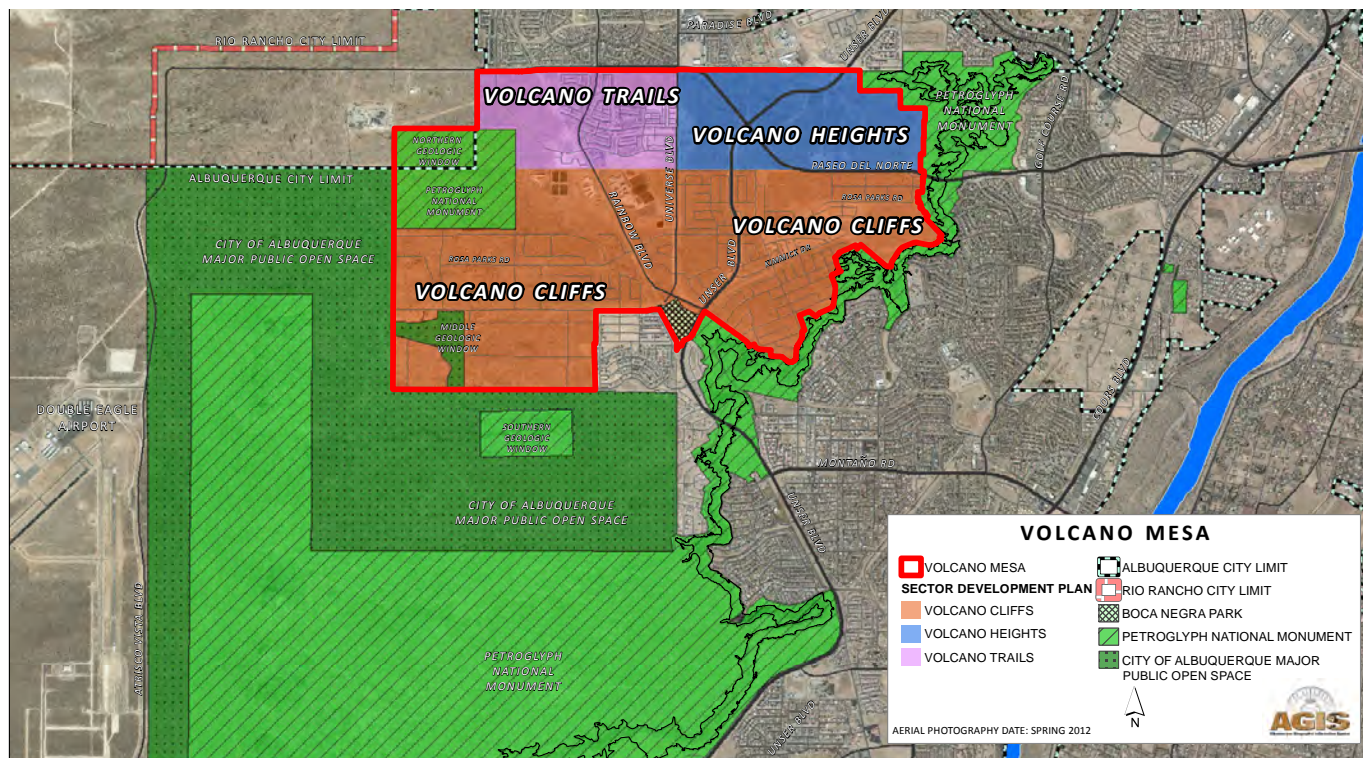


Figure 1: Volcano Mesa Sector Development Areas

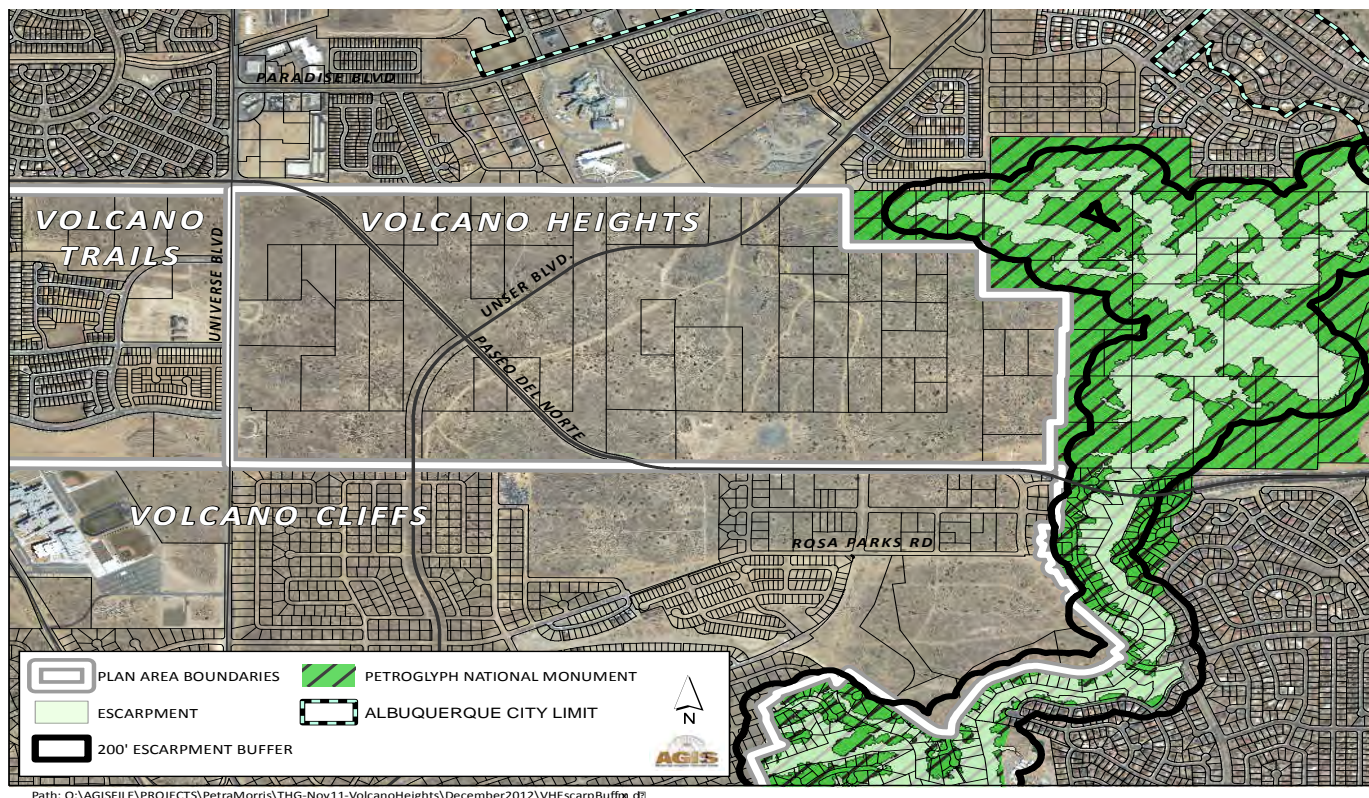


Figure 2: Volcano Heights Sector Area

This study was prepared to gauge the fiscal impact of potential development as envisioned by the Volcano Heights Sector Development Plan. There are several real challenges to development in this 570-acre greenfield area. Going from a completely undeveloped area – with no utilities, roads, drainage, or water service available – to a high-density, high-intensity Major Activity Center represents a steep investment and a significant obstacle to initial investment and ultimate build out success. A series of infrastructure improvements is necessary to catalyze development and enable private investment to succeed in implementing the development vision for a walkable district. As the only development of its type on Albuquerque’s West Side, there are also significant opportunities for profit and benefits to the expanded marketability for employment west of the Rio Grande.

Because Volcano Heights is based on a new development pattern with a mix of uses supported by a multimodal transportation network, there is an extra value created by such development above and beyond what could typically be expected from traditional suburban development patterns. This extra value could be leveraged through public-private partnerships to successfully create a walkable job center and live/work district on Albuquerque’s West Side.

### Understandings and Assumptions

The Volcano Heights Sector Development Plan encompasses approximately 570 acres in northwest Albuquerque. Currently, Volcano Heights is entirely undeveloped, with a total land value of \$1,299,365, according to the Bernalillo County Assessor Office. Typically, a city’s ability to shape development is limited to either upgrading infrastructure (e.g. upgrading a road to a complete street with multimodal streetscape amenities, providing enhanced transit service, or providing other “horizontal” infrastructure improvements) or investing in catalytic projects (e.g. constructing a new civic development, redeveloping a historic property, or making other investments to “vertical” development).

In Volcano Heights, the City is in a unique position to guide development in this sector from the beginning. A strategic investment in a project that can act as a catalyst for private investment would be paid back both financially from the increased revenue from property taxes and gross receipts taxes as well as physically from laying the foundation for placemaking and high-quality development on the City’s West Side.

This report compares the potential value of Volcano Heights’ mixed-use development strategy to a traditional suburban single-use development pattern. The two development scenarios have been modeled using a proprietary development projection tool based on proven national growth patterns. Development has been projected over 15 years based on conservative estimates, market trends, inflation, and entitlements associated with each scenario.

As seen in **Table 1**, under the typical suburban model, the Plan area would build out over a 15-year period, with an approximate total development value of \$650 Million. Redevelopment could be expected in commercial areas on a 12- to 15-year cycle. The majority of land would be tied up with suburban residential development, which would either significantly limit or even eliminate the potential for future redevelopment.

With the proposed mixed-use entitlement scenario, a greater amount of land would be developed as



Land Use Type	SQFT	Units	Value
Single Family Residential	-	2,102	\$420,376,000
Townhouse Residential	-	379	\$65,592,750
Multifamily	-	759	\$82,698,300
Suburban Commercial	918,027	-	\$82,622,430
<b>Total</b>	<b>918,027</b>	<b>3,240</b>	<b>\$648,289,480</b>

Table 1: Potential of Existing Suburban Entitlement Value at 15-Years without Inflation

Land Use Type	SQFT	Units	Value
Single Family Residential	-	364	\$72,800,000
Townhouse Residential	-	291	\$48,015,000
Multifamily	-	4,114	\$448,426,000
Hotel	53,600	-	\$7,772,000
Office	1,180,135	-	\$135,715,525
Regional Retail	326,700	-	\$29,403,000
Specialty Retail	322,198	-	\$33,186,394
Local Retail	170,600	-	\$15,865,800
<b>Total</b>	<b>2,053,233</b>	<b>4,769</b>	<b>\$791,183,719</b>

Table 2: Potential Mixed-Use Entitlement Total Value at 15-Years without Inflation

15-year Development Cycle		
	Existing Suburban	Mixed-Use Place
Net New Residents	8,067	10,664
Net New Jobs	1,469	4,323

Table 3: Projected New Growth

Assumptions Table		
Residential Occupancy:	92%	
Commercial Occupancy:	85%	
Average MF Unit Size	1000	Sqft
Average SF Unit Size	2000	Sqft
Hotel Room Size:	300	Sqft
Avg. Residents Per MF Unit	2.4	People
Avg. Residents Per SF Unit	2.8	People
Inflation Rate	2%	per year

Table 4: Analysis Assumptions

large parcels. Because this initial development will set the pattern for an urban, walkable district, as the market changes or new uses become desirable, new development or redevelopment can easily be added or upgraded, which in turn further strengthens the sense of place and increases the level of activity and viability for all existing uses. The idea is not to create a new downtown, but to instead balance density and height to achieve a critical mass of activity, creating a place that people want to visit or live, given their own preferences or desires. Instead of competing or clashing with existing development as it might in a traditional suburban context, new developments or redevelopment add to the success of the area as a

whole and to each business and residential project.

At the end of the assumed 15-year buildout cycle, the mixed-use entitlement has already surpassed the value of the traditional suburban entitlement and has the potential to grow or stay stable over time, as shown in **Table 2**. Given that a critical mass has been created through placemaking efforts, the potential for redevelopment is stronger, and the cost of services per user is lower than the traditional model.

**Table 3** demonstrates estimated population and employment impact for the two development scenarios.



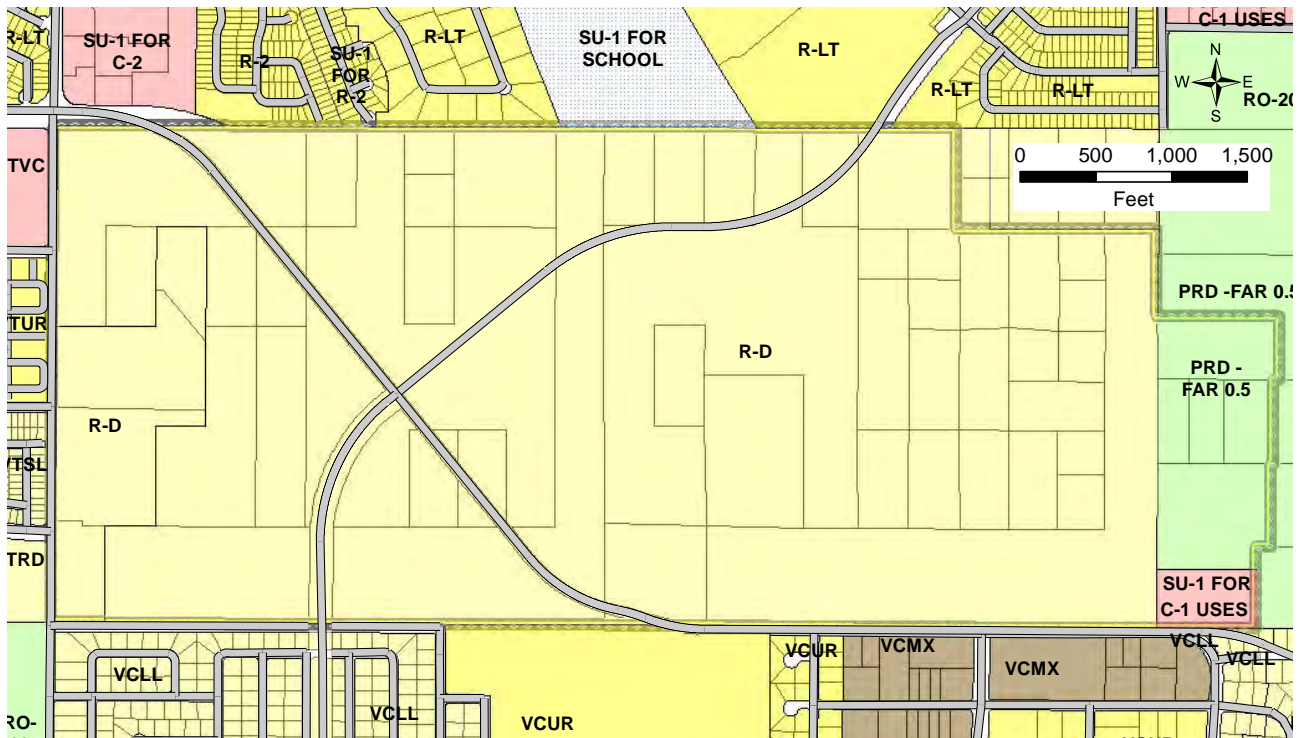


Figure 3: Pre-existing Zoning

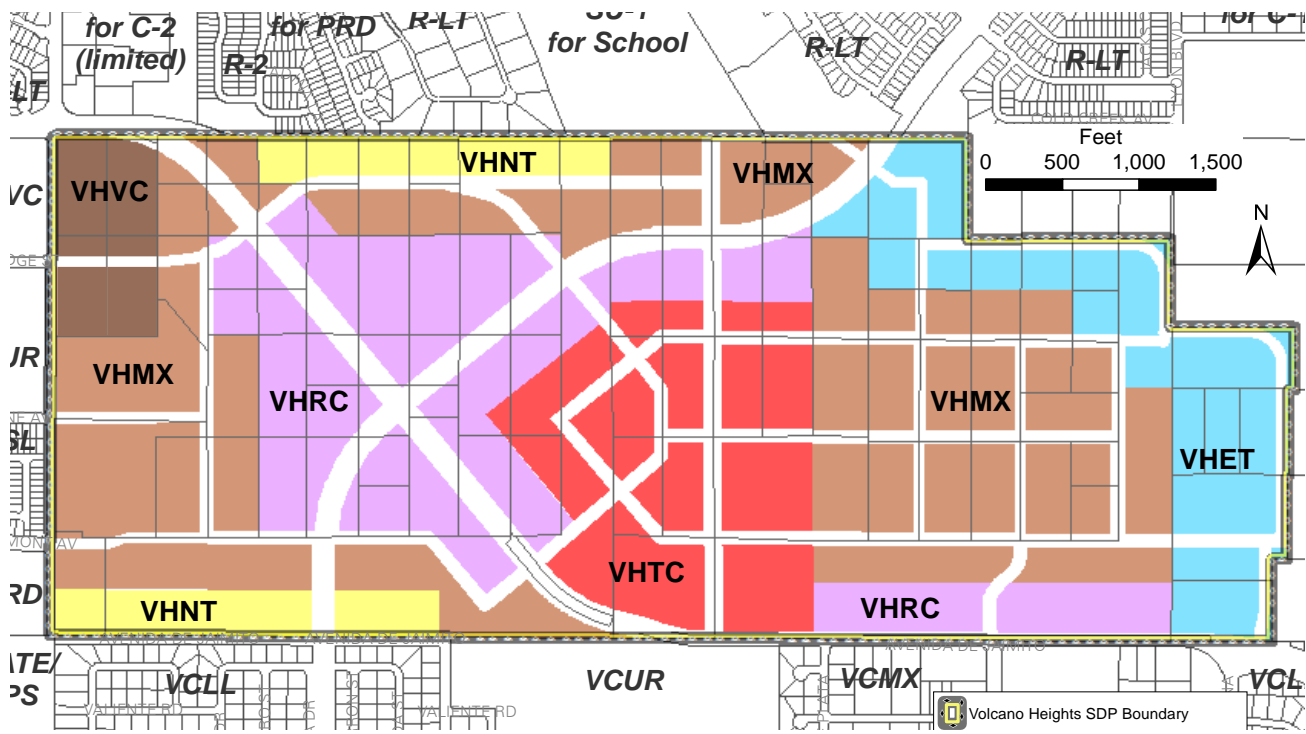


Figure 4: Adopted Zoning Map



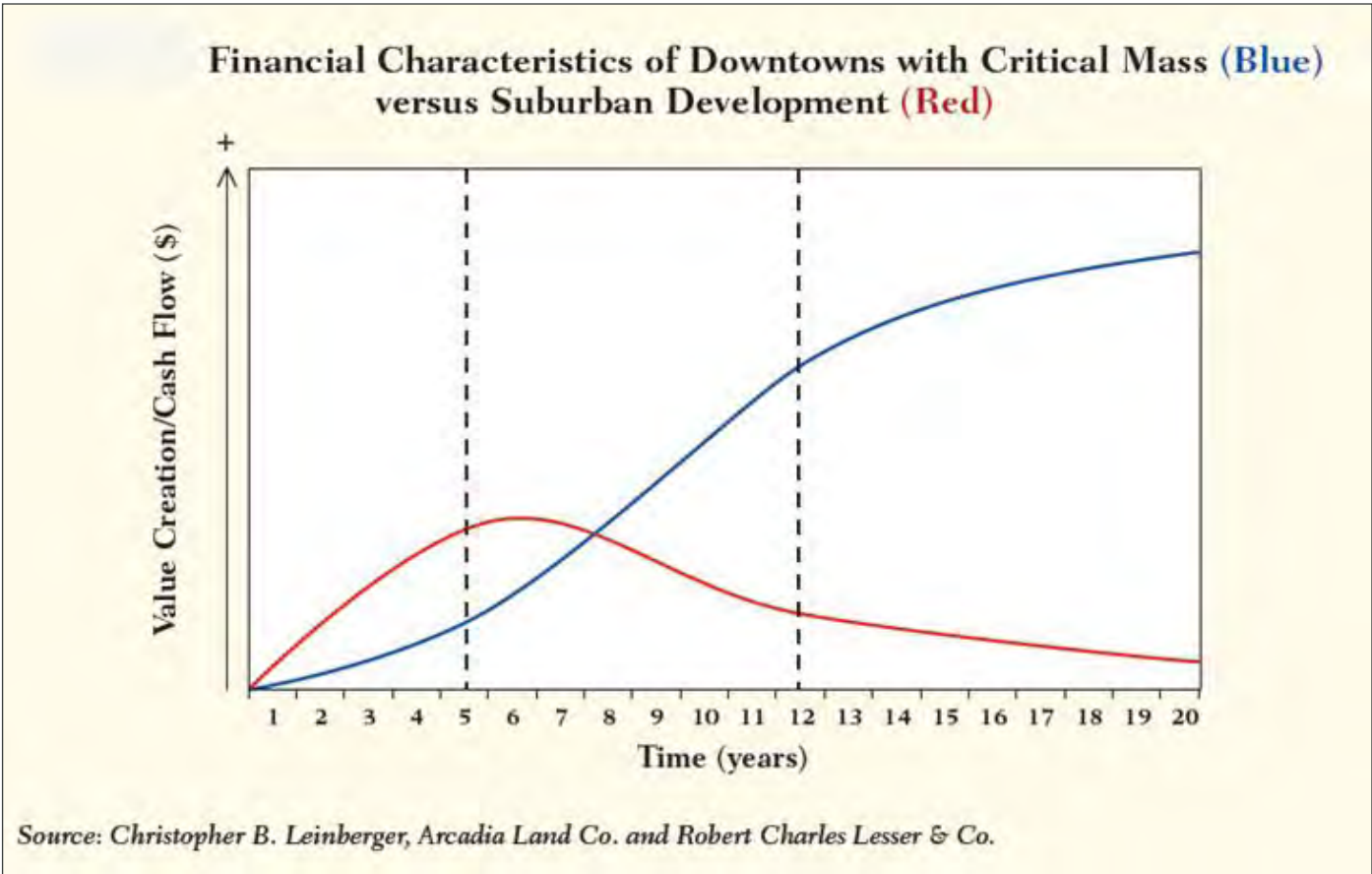


Figure 5: Value of Development Types

**Table 4** shows the assumptions used in the calculations. Base data were derived from a number of sources, including Bernalillo County and the City of Albuquerque.

**Development Scenario Value**

The two development scenarios project two very different built environments that have diverging values over time. **Figures 6 and 7** assume the average development values over the course of 15 years. The suburban entitlement model is assumed to have a build out with equal investment amounts over 15 years. This projection amount reflects the average accounting for fluctuations over two to three real estate cycles. The value reaches a peak after one real estate cycle, after which new investment moves to another greenfield development opportunity. After that point, values decline dramatically in commer-

cial areas and more slowly in residential areas.

In contrast, the mixed-use entitlement model depicts growth over 15 years in a pattern that is typical of place-based environments, where growth builds slowly to a tipping point. Momentum is gained once the “place” is established and provides the foundation for future value, as shown in **Figure 5**. Because entitlements in Volcano Heights allow a mix of uses, existing development can be repurposed to meet changing market opportunities. Form-based codes allow evolution from one real estate cycle to the next, allowing additional investment within a developed area available through a streamlined administrative approval process. These form-based codes ensure the level of quality from one project to the next, protecting property values and offering predict-



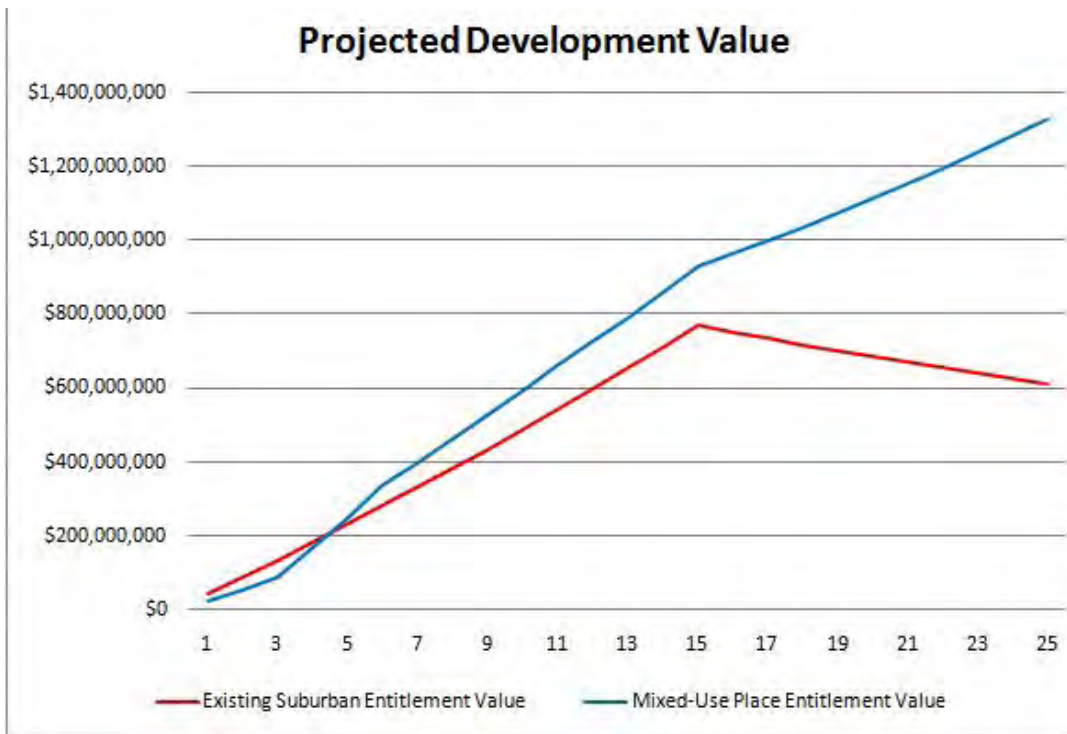


Figure 6: Property Value Comparison

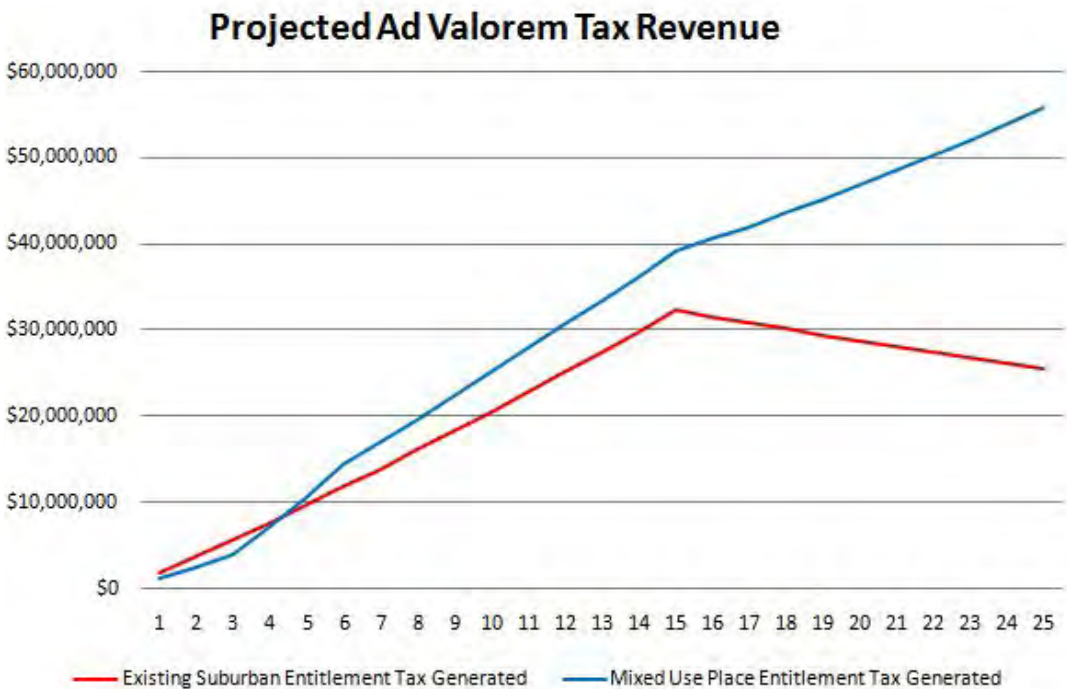


Figure 7: Ad Valorem Tax Revenue Comparison

## Implementation and Conclusion

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ability for investors and neighbors. The adaptability of the mixed-use development model removes the potential ceiling on value and minimizes the likelihood of disinvestment and decline over time.

### Current and Projected Development Value

According to the Bernalillo County Tax Assessor, the current appraised value for 562 unimproved acres in Volcano Heights is \$1,299,365. After 15 years, under the suburban entitlement scenario, the value of development (i.e. projected ad valorem value) is approximately \$769 million. Under the mixed-use entitlement model, this value is approximately \$932 million, an increase of over 20%, as seen in **Figure 6**.

### Current and Projected Ad Valorem Tax Revenue

**Figure 7** shows the anticipated ad valorem tax revenue that will be generated per year over 25 years. Assuming no change in property tax rates, suburban entitlements provide approximately \$530 million in ad valorem tax revenue, while the mixed-use development model provides approximately \$769 million, almost a 45% increase in value. Common exemptions, such as a Homestead exemption, were not deducted from the projected Ad Valorem tax revenue estimation.

Detailed revenue projections are shown in **Table 5**.

### Implementation

Once the Sector Development Plan is adopted and sets the entitlements, regulations, and policies in place to focus on placemaking and mixed-use development, various City departments and outside agencies can analyze the infrastructure needed to support the development vision. This includes the City Department of Municipal Development for roads and storm drainage infrastructure, Public Service Company of New Mexico for electric utilities, New Mexico Gas for gas utilities, the Albuquerque Bernalillo County Water Utility Authority for water and wastewater, and cable and internet

service providers. Enforceable policies and regulations are needed in order to create accurate assumptions about what infrastructure will be required to support desired development patterns.

Once infrastructure costs have been estimated, the City should consider strategic investments that could best catalyze and leverage private investment. Mixed-use development is expected to require more costly infrastructure than suburban development. Knowing the additional value of these mixed-use environments, the City can consider which portion of the additional cost makes sense to support, given the expected levels of return over and above typical suburban development. These decisions can be made on a rational basis, and the potential revenues should justify some measure of support or initial catalytic infrastructure project in Volcano Heights.

### Conclusion

Cities across the United States have discovered that the high initial investment and steep drop off of value typical of the suburban development pattern leads to long-term fiscal liability that exceeds tax income over the lifecycle of development and infrastructure. Many cities are moving instead to a model of public-private partnerships that lay a foundation to create a sense of “place” in which initial investments are more than recovered by the long-term value as the area continues to produce value over time. This mixed-use model is a solution to the suburban model of short-term gain that jeopardizes long-term value.

As this report indicates, the potential for better outcomes is compelling, and the City should carefully consider how to invest in Volcano Heights’ success to reap the financial benefits, as well as the enhanced opportunities for economic development and placemaking, this model offers. This opportunity truly represents a win-win for development. The use of special districts, such as Public Improvement Districts (PIDs), Special Assessment Districts (SADs), or Tax Increment Development Districts (TIDDs).





Development Analysis Tool

Volcano Heights Albuquerque

2013-2038

Revenue Projection

Period	Base	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15-Year Total
<b>Conventional Build</b>																	
Existing Conditions Taxable Value	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	19,490,475
Conventional Build Value		43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	43,219,299	648,289,480
<b>Conventional Total Value</b>		<b>44,518,664</b>	<b>89,927,701</b>	<b>136,244,918</b>	<b>183,488,480</b>	<b>231,676,914</b>	<b>280,829,116</b>	<b>330,964,362</b>	<b>382,102,312</b>	<b>434,263,022</b>	<b>487,466,946</b>	<b>541,734,949</b>	<b>597,088,312</b>	<b>653,548,742</b>	<b>711,138,380</b>	<b>769,879,811</b>	<b>769,879,811</b>
State	1,767	60,545	122,302	185,293	249,544	315,081	381,928	450,112	519,659	590,598	662,955	736,760	812,040	888,826	967,148	1,047,037	7,991,594
County	10,548	361,403	730,033	1,106,036	1,489,559	1,880,753	2,279,771	2,686,769	3,101,907	3,525,347	3,957,257	4,397,804	4,847,163	5,305,509	5,773,021	6,249,884	47,702,764
City	14,969	512,855	1,035,967	1,569,541	2,113,787	2,668,918	3,235,151	3,812,709	4,401,819	5,002,710	5,615,619	6,240,787	6,878,457	7,528,882	8,192,314	8,869,015	67,693,501
School APS	13,595	465,799	940,914	1,425,531	1,919,840	2,424,036	2,938,315	3,462,880	3,997,936	4,543,694	5,100,367	5,668,173	6,247,335	6,838,080	7,440,641	8,055,252	61,482,388
CNM	4,345	148,870	300,718	455,603	613,585	774,728	939,093	1,106,745	1,277,750	1,452,176	1,630,089	1,811,562	1,996,663	2,185,467	2,378,047	2,574,478	19,649,919
UNMH	8,316	284,919	575,537	871,967	1,174,326	1,482,732	1,797,306	2,118,172	2,445,455	2,779,283	3,119,788	3,467,104	3,821,365	4,182,712	4,551,286	4,927,231	37,607,501
AMAFCA	1,106	37,885	76,528	115,944	156,149	197,157	238,986	281,651	325,169	369,558	414,834	461,016	508,122	556,170	605,179	655,168	5,000,622
<b>Total Tax Generated</b>	<b>54,646</b>	<b>1,872,277</b>	<b>3,781,999</b>	<b>5,729,916</b>	<b>7,716,792</b>	<b>9,743,404</b>	<b>11,810,549</b>	<b>13,919,037</b>	<b>16,069,695</b>	<b>18,263,366</b>	<b>20,500,910</b>	<b>22,783,205</b>	<b>25,111,146</b>	<b>27,485,646</b>	<b>29,907,636</b>	<b>32,378,065</b>	<b>247,128,289</b>
<b>Mixed Use Build</b>																	
Existing Conditions Taxable Value	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	19,490,475
Mixed Use Build Value		24,294,267	26,508,308	33,008,308	76,037,620	76,037,620	84,351,620	53,557,354	53,557,354	53,557,354	53,557,354	53,557,354	51,343,313	51,343,313	51,343,313	51,343,313	793,397,760
<b>Mixed Use Total Value</b>		<b>25,593,632</b>	<b>53,913,177</b>	<b>89,299,113</b>	<b>168,422,081</b>	<b>249,127,507</b>	<b>339,761,043</b>	<b>401,412,982</b>	<b>464,297,960</b>	<b>528,440,638</b>	<b>593,866,169</b>	<b>660,600,211</b>	<b>726,454,893</b>	<b>793,626,668</b>	<b>862,141,879</b>	<b>932,027,394</b>	<b>932,027,394</b>
State	1,767	34,807	73,322	121,447	229,054	338,813	462,075	545,922	631,445	718,679	807,658	898,416	987,979	1,079,332	1,172,513	1,267,557	9,370,787
County	10,548	207,769	437,667	724,930	1,367,250	2,022,417	2,758,180	3,258,671	3,769,171	4,289,881	4,821,006	5,362,753	5,897,361	6,442,661	6,998,868	7,566,198	55,935,331
City	14,969	294,839	621,080	1,028,726	1,940,222	2,869,949	3,914,047	4,624,278	5,348,713	6,087,636	6,841,338	7,610,114	8,368,760	9,142,579	9,931,874	10,736,956	79,376,080
School APS	13,595	267,786	564,094	934,337	1,762,200	2,606,621	3,554,920	4,199,984	4,857,950	5,529,074	6,213,622	6,911,860	7,600,898	8,303,716	9,020,590	9,751,803	72,093,049
CNM	4,345	85,585	180,286	298,616	563,203	833,082	1,136,161	1,342,325	1,552,612	1,767,105	1,985,888	2,209,047	2,429,265	2,653,888	2,883,002	3,116,700	23,041,112
UNMH	8,316	163,799	345,044	571,514	1,077,901	1,594,416	2,174,471	2,569,043	2,971,507	3,382,020	3,800,743	4,227,841	4,649,311	5,079,211	5,517,708	5,964,975	44,097,822
AMAFCA	1,106	21,780	45,880	75,994	143,327	212,008	289,137	341,602	395,118	449,703	505,380	562,171	618,213	675,376	733,683	793,155	5,863,632
<b>Total Tax Generated</b>	<b>54,646</b>	<b>1,076,366</b>	<b>2,267,373</b>	<b>3,755,564</b>	<b>7,083,159</b>	<b>10,477,306</b>	<b>14,288,990</b>	<b>16,881,824</b>	<b>19,526,515</b>	<b>22,224,099</b>	<b>24,975,636</b>	<b>27,782,202</b>	<b>30,551,787</b>	<b>33,376,763</b>	<b>36,258,239</b>	<b>39,197,344</b>	<b>289,777,814</b>

Table 5: Revenue Projections

Development Analysis Tool											
Volcano Heights Albuquerque											
2013-2038											
Revenue Projection											
Period	16	17	18	19	20	21	22	23	24	25	25-Year Total
<b>Conventional Build</b>											
Existing Conditions Taxable Value	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	32,484,125
Conventional Build Value	0	0	0	0	0	0	0	0	0	0	648,289,480
<b>Conventional Total Value</b>	<b>751,932,181</b>	<b>734,433,242</b>	<b>717,371,775</b>	<b>700,736,846</b>	<b>684,517,790</b>	<b>668,704,210</b>	<b>653,285,970</b>	<b>638,253,186</b>	<b>623,596,221</b>	<b>609,305,681</b>	<b>609,305,681</b>
State	1,022,628	998,829	975,626	953,002	930,944	909,438	888,469	868,024	848,091	828,656	17,215,300
County	6,104,185	5,962,129	5,823,624	5,688,582	5,556,915	5,428,541	5,303,376	5,181,339	5,062,354	4,946,344	102,760,153
City	8,662,259	8,460,671	8,264,123	8,072,488	7,885,645	7,703,473	7,525,854	7,352,677	7,183,828	7,019,201	145,823,721
School APS	7,867,466	7,684,375	7,505,861	7,331,810	7,162,110	6,996,652	6,835,331	6,678,043	6,524,687	6,375,165	132,443,888
CNM	2,514,461	2,455,945	2,398,891	2,343,264	2,289,027	2,236,147	2,184,588	2,134,319	2,085,306	2,037,518	42,329,386
UNMH	4,812,366	4,700,373	4,591,179	4,484,716	4,380,914	4,279,707	4,181,030	4,084,820	3,991,016	3,899,556	81,013,178
AMAFCA	639,894	625,003	610,483	596,327	582,525	569,067	555,946	543,153	530,680	518,519	10,772,221
<b>Total Tax Generated</b>	<b>31,623,260</b>	<b>30,887,324</b>	<b>30,169,787</b>	<b>29,470,189</b>	<b>28,788,080</b>	<b>28,123,024</b>	<b>27,474,595</b>	<b>26,842,376</b>	<b>26,225,963</b>	<b>25,624,960</b>	<b>532,357,847</b>
<b>Mixed Use Build</b>											
Existing Conditions Taxable Value	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	1,299,365	32,484,125
Mixed Use Build Value	0	0	0	0	0	0	0	0	0	0	793,397,760
<b>Mixed Use Total Value</b>	<b>965,947,718</b>	<b>1,001,055,253</b>	<b>1,037,391,552</b>	<b>1,074,999,621</b>	<b>1,113,923,973</b>	<b>1,154,210,677</b>	<b>1,195,907,416</b>	<b>1,239,063,540</b>	<b>1,283,730,129</b>	<b>1,329,960,049</b>	<b>1,329,960,049</b>
State	1,313,689	1,361,435	1,410,853	1,461,999	1,514,937	1,569,727	1,626,434	1,685,126	1,745,873	1,808,746	24,869,606
County	7,841,564	8,126,567	8,421,545	8,726,847	9,042,835	9,369,882	9,708,376	10,058,718	10,421,321	10,796,616	148,449,601
City	11,127,718	11,532,157	11,950,751	12,383,996	12,832,404	13,296,507	13,776,853	14,274,012	14,788,571	15,321,140	210,660,188
School APS	10,106,711	10,474,041	10,854,228	11,247,721	11,654,987	12,076,506	12,512,779	12,964,322	13,431,668	13,915,372	191,331,384
CNM	3,230,129	3,347,529	3,469,037	3,594,799	3,724,962	3,859,681	3,999,114	4,143,428	4,292,794	4,447,386	61,149,971
UNMH	6,182,065	6,406,754	6,639,306	6,879,998	7,129,113	7,386,948	7,653,807	7,930,007	8,215,873	8,511,744	117,033,438
AMAFCA	822,022	851,898	882,820	914,825	947,949	982,233	1,017,717	1,054,443	1,092,454	1,131,796	15,561,790
<b>Total Tax Generated</b>	<b>40,623,897</b>	<b>42,100,380</b>	<b>43,628,539</b>	<b>45,210,184</b>	<b>46,847,187</b>	<b>48,541,484</b>	<b>50,295,082</b>	<b>52,110,056</b>	<b>53,988,554</b>	<b>55,932,800</b>	<b>769,055,977</b>





A GATEWAYPLANNING and **Balfour Beatty** Company

3100 McKinnon Street, 7th Floor  
Dallas, TX 75201  
o. 817.348.9500 f. 214.451.1176

[www.vialtagroup.com](http://www.vialtagroup.com)