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Albuquerque Rail Yards Redevelopment Evaluation

Prepared for:

City of Albuquerque

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Prepared by:

LELAND CONSULTING GROUP

sites southwest

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Executive Summary

In 2019, the City of Albuquerque engaged a multidisciplinary team led by Leland Consulting Group (LCG) to conduct this Redevelopment Evaluation of the Albuquerque Rail Yards, a city-owned, 27.3-acre site located about a half mile south of the heart of downtown Albuquerque. The LCG team includes equity advisor Claudia Isaac, Ph.D., and urban designers Sites Southwest. The goal of this Redevelopment Evaluation is to build on past studies of the site and the 2014 Master Plan, and provide the City, Rail Yards Advisory Board (RYAB), and Albuquerque community with:

- A third-party evaluation of current and future real estate market conditions likely to affect redevelopment of the site;
- A financial analysis of site redevelopment and reuse that incorporates projected capital and operations costs and revenues;
- Strategies for leveraging the site to create benefits for surrounding neighborhoods and to create a model of equitable community and economic development;
- Recommendations for potential implementation "pathways"—organizational structures and action steps that can achieve the desired types of redevelopment.

Guiding Principles

The six Guiding Principles of the Rail Yards Master Plan remain relevant, as reflected by numerous conversations with community leaders and residents. These include goals for **Job Generation; Housing** that is affordable and mixed-use, while limiting displacement; enhancing **Community Connectivity** of the site and creating public spaces; **Historic Rehabilitation** of Rail Yards structures, and other principles covered below. Future uses of the site should be consistent with these principles.

Market Analysis and Development Program

The Albuquerque metro area is located in the US West, a region that continues to experience population and employment growth. Population, employment, and economic output (GMP) are all growing in the Albuquerque region, albeit at rates that are lower than many other Western metros. The region has a very strong concentration of STEM industries (science, technology, engineering, and math). Albuquerque should continue to attract residents and businesses due to its quality of life, distinctive Southwest culture and heritage, access to nature, weather, affordability, and relative lack of congestion.

Several recent announcements by film industry leaders suggest that the film industry is particularly strong in Albuquerque and New Mexico. Netflix and NBCUniversal have committed to invest $1 billion and $500 million in the state during the next 5 and 10 years, respectively. Central New Mexico Community College (CNM) and the City have proposed to locate a Film Production Center of Excellence at the Rail Yards.

The City has tallied more than $900 million in private-sector and institutional (e.g., university) development projects that are underway now or expected to break ground in the near future near downtown. The downtown office market has rebounded. After a number of mediocre and negative years following the recession, net absorption was strong for four years between 2015 and 2018, averaging 147,000 square feet per year. Housing has been the most prevalent type of development in and near downtown Albuquerque, with about 2,000 market-rate and affordable units built over the last decade, including some projects (Casitas de Colores, Imperial Apartments) near the site.

At the same time, there are cautionary signals that warn against being too ambitious about the market for development at the Rail Yards. Office and industrial rents in the Downtown Submarket have been largely flat for the last decade. There has been no new major office or industrial development in the area during that period. Retail development nationwide has been extremely slow. These factors, the large size of the property, and the trend towards mixed-use in development suggest that the site should indeed host a mix of uses rather than be dominated by one type (e.g., just employment or housing).

In the neighborhoods that surround the Rail Yards—Barelas, South Broadway, and San Jose—household incomes are 55 percent of the citywide median. There is a widespread sense in these neighborhoods that residents have not been able to enjoy some of the economic growth happening in the rest of the region, and a desire to leverage the Rail Yards as an opportunity for inclusion, job creation, equitable economic development, and reconnection to site that, in its' heyday, employed a quarter of all working Albuquerque residents.

Place Making. Opportunities abound for creative place making at the Rail Yards. The site is unique—both in the Albuquerque region, and in LCG's experience, the country. The site has grit. It intrigues. It is widely used as a film location for a reason. It evokes America's industrial past and heritage, with railroad turntables, passing passenger trains, and buildings ranging from the charming brick Blacksmith Shop and Fire House, to the site's "industrial cathedrals," the Boiler Shop and Machine Shop. The unexpected popularity of the Rail Yards Market, which occupies the Blacksmith Shop on a seasonal basis—as well as the events, weddings, and concerts that have been held on the site—are a testament to the Rail Yard's iconic drawing power.

LCG's market analysis and development scenarios findings and recommendations are summarized below. These recommendations are most consistent with "Scenario 2," one of three development scenarios that we developed for the Rail Yards.

General / Big Ideas	• Leverage the intriguing, historic, and iconic "industrial cathedrals" character of the site to build an interesting, active, unique, gritty, mixed-use and mixed-income place that welcome residents of adjacent neighborhoods and the entire Albuquerque community. • Bring *CNM Center* for Film Production to the site as an anchor use and magnet for additional tenants and investment. • *Phasing:* Focus near-term redevelopment efforts in the north, and move to center and south over time. • Offer *flexible event space* in the northern and central buildings, which can accommodate festivals, farmers markets, museum exhibitions, and concerts, community and corporate events. There is potential for up to 220,000 square feet of flexible event space.

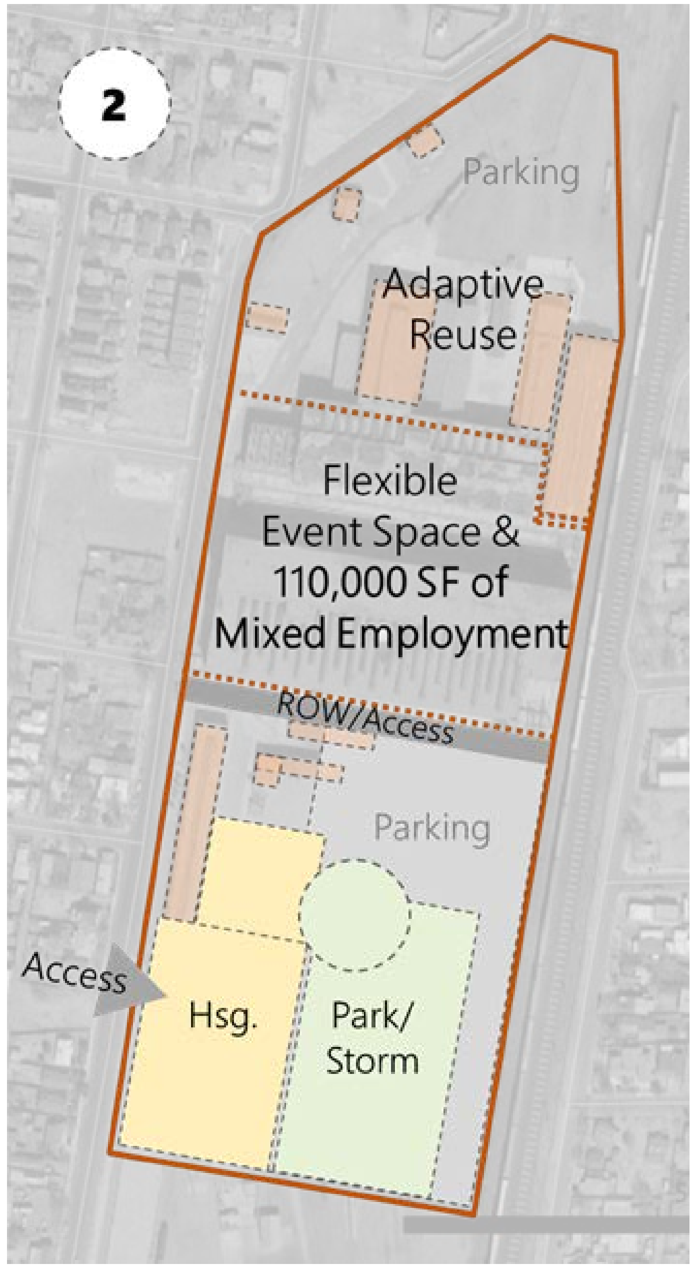
	• The large southern part of the site can accommodate housing, parks and open space, adaptive reuse of the turntable, stormwater retention, and parking (covered below).
Mixed Employment	• **50,000 to 60,000 square feet of employment space** is a reasonable target for construction and absorption over 10 years, in north and central buildings, based on a 10 percent capture rate of absorption in the Downtown Submarket, and a stronger market over the last five years. Over 20 years, this target can double. The target can increase with the attraction of major tenants. • Some employment space can be built as "buildings within buildings" inside the Machine and Boiler Shops. The benefits of this approach include: retaining large "atrium" areas for public visitation and events; managing the capital, operating costs, and energy required for space conditioning; and the ability to phase construction with market demand. • Rents are likely to vary considerably based on the interior and exterior building finishes and amenities. Some of the space could compete directly with the high-end of downtown submarket office space, at rents of $20 or more per square foot gross. Other space might have simpler finishes and compete with the downtown submarket office average of $17.50 per square foot gross; yet other space may be more basic, with rents that are comparable to regional "flex" industrial space ($12 per square foot).
Retail / Active Ground Floor Uses	• LCG recommends a target of **10,000 to 20,000 square feet of retail and "active ground floor space"** in the next decade. • The following types of retail businesses should be targeted: Food and beverage, such as restaurants, a food hall, food trucks, and prepared foods and produce vendors associated with the Rail Yards Market; small, local vendors that build on the Rail Yards' unique, historic, and gritty character; businesses that are already located in the Barelas, South Broadway, San Jose, or Downtown districts; vendors that reflect the themes of the site, for example, film or rail travel; potentially, other "active ground floor tenants" drawn from the "thriving" listbelow, such as healthcare or fitness. • Remember that, in place making, quality of ground floor tenants is often more important than quantity. For example, a few great small restaurants—comprising less than 3,000 square feet in total—can create a unique and memorable place. • These uses should be clustered at the Rail Yard's "front door," near the northwest of the site.
Housing	• Housing—including market rate and affordable apartments, and owner-occupied houses and condominiums—has been the strongest market in Central Albuquerque over the last decade: Far more square feet of housing has been built than office, retail, and hotel space combined. LCG expects demand for housing to continue in Central Albuquerque.

	• Development of **100 to 200 units** of housing on the site over 10 years is reasonable. This absorption would be comparable to that at the Sawmill, which has seen about 360 units built over two decades, or 180 units per decade. • A majority (50% or more) of these units should be affordable and available to households earning between 30 and 80% of area median income. • Housing that is between 18 units per acre (similar to the Sawmill Community) and 34 units per acre (Casitas del Colores) will be most compatible with surrounding housing. • Most housing should be located in the south of the site. Another potential location for housing development is off-site, on Santa Fe Avenue, west of the Machine Shop and Transfer Table.
Hotel	• Albuquerque's existing hotels, new hotels, and recent renovations are clustered north of Central Avenue, near major tourism draws, employment concentrations, and transportation routes. • Hotels are often a "following use," rather than a first-in land use. In other words, they follow on when the employment, retail, public open space, housing, tourism, and/or other land uses are successfully established. • LCG believes if a hotel is added to the site it would come in a later phase and not within the first five years.
Parking	• Parking for the north can largely be provided in the north (230 or more spaces on the surface, or in a structure); the large south area can park uses in the center and south (370 or more spaces, depending on the size of surface lots or structure.) • LCG's assessment is that the uses shown in the above scenarios can be parked in about 720 or fewer parking spaces. This figure is based on the premise that the major uses on site—mixed employment and event space—can "share" parking, as provided by the Integrated Development Ordinance (IDO). For example, a given set of spaces could be used by employees during weekdays, and then by event attendees during evenings and weekends. Shared parking is an established best practice for the development of mixed-use places. It can help reduce the high cost of structured parking, and the large site areas required for surface parking. This figure does not include parking for housing units, which would be accommodated in the housing land/projects.

Development Scenarios

Three buildout scenarios are described in this report. While all have merit, LCG believes that Scenario Two reflects the best balance between aspirational reuse of the site and feasibility. Scenario 2 is shown at right, as assumes a 10 to 20 year buildout time frame.

Figure 1. Development Scenario 2



Equitable Development

The redevelopment of the Albuquerque Rail Yards offers a unique opportunity to implement principles of equitable and inclusive development. A phased, incremental development strategy implemented by a Community Development Corporation will maximize equitable development impact. Over the next two years, the City should prioritize the following:

- Investing in **neighborhood stabilization strategies** while property values are attainable. Strategies should address all aspects of the housing spectrum and assist renters, homeowners, seniors, and those facing foreclosure.
- **Building the capacity of the existing neighborhood organizations** with help in fundraising, grant writing, and organizational development technical assistance, as requested.
- Ensuring that local residents and business have priority in the selection of contractors and the hiring of the workforce for both construction and permanent contracts
- Identifying community economic development initiatives that could be located at the Rail Yards.

Financial Analysis

LCG evaluated the capital costs and revenues associated with developing the Rail Yards. Those costs and revenues are summarized for Development Scenario 2 in Figure 2 below. The majority of costs are associated with site preparation ($42.2 million) and include bringing all necessary utilities and transportation service to and through the site, and completing all necessary environmental remediation. About $13 million is associated with "other building improvements:" the renovation of historic buildings, and investments in the construction of new buildings-within-building on the site. The total cost estimate is $55.2 million.

The proposed revenues (funding package) includes funds from a tax increment development district (TIDD), City, LEDA, State, and federal funds, some of which have already been committed. Revenues for Scenario 2 narrowly exceed costs.

Figure 2. Site Development Costs and Revenues

Costs	Scenario 2
Site Development and Infrastructure	
General Site	$4,461,916
Drainage	$1,026,367
Water	$1,211,630
Sewer	$1,897,567
Electrical / Joint Utility	$3,304,836
Striping & Signage	$89,383
Retention Basin	$257,600
Landscaping	$1,914,667
Other	
Environmental	$3,600,000
Site Prep and Demo	$500,000
BS & MS Roof repair	$5,000,000
BS & MS Windows ACM	$900,000
Structured Parking	$0
Parks, Plazas, Open Space	$4,000,000
Subtotal	$14,000,000
Hard Cost Subtotal	$28,163,965
Soft Cost and Contingency	$14,045,343
Subtotal	**$42,209,308**
Boiler Shop and Machine Shop	
Structural Retrofit	TBD
Foundation Retrofit	TBD
Floor Resurfacing	TBD
Other Building Improvements	
Building Renovations	$7,124,180
Building within Buildings	$4,738,043
Contingency	$1,186,222
Subtotal	**$13,048,446**
Other TBD	$0
Total Uses	**$55,257,754**

Revenues	Scenario 2
Identified Funding Sources	
Public and Public-Private Funding	
Tax Increment Development (TIDD)	$16,090,347
City, Other	$5,500,000
Local Economic Development (LEDA)	$5,000,000
State of New Mexico (Allocated 2019)	$7,500,000
State of New Mexico	$14,500,000
Historic Tax Credits	Incl. in buildings.
New Market Tax Credits (NMTC)	Incl. in buildings.
CNM and other Institutional	Incl. in buildings.
Federal: EDA and other agencies	$1,200,000
Crowd Funding	TBD
Philanthropic Funds	$5,200,000
Impact Fee Reinvestment	$282,370
Subtotal	**$55,272,717**
Land Sales	$0
Total Sources	**$55,272,717**

Net Revenue	
Total Sources	$55,272,717
Total Uses	$55,257,754
Net Revenue	**$14,962**

Sources: Stantec, Inc., City of Albuquerque, Leland Consulting Group.

As is often the case with large-scale, public-private, mixed-use development, LCG expects that third-party, non-profit and for-profit developers would partner with the City to invest in "vertical" development—both renovation of existing structures; new, ground-up buildings-within-buildings; and new housing development projects. Various non-profit and for-profit developer have deep expertise and experience in these areas, and are therefore much better suited to complete these projects than the City. Therefore, these costs of vertical development are not shown in Figure 2 above.

Some costs that are likely to be borne by the City/public sector are not shown above. This includes but is not limited to a Structural Retrofit for the Boiler Shop and Tender Repair Shop, and a foundation retrofit and floor resurfacing for the large central buildings. Other costs, such as roof repair and replacement, remain very rough estimates, for example, because the LCG team did not access or inspect the roofs. Therefore, the City should have a Property and Building Conditions Assessment (PBCA) completed as soon as possible to refine cost estimates for these and other site development costs.

Operating Economics. LCG also prepared an estimate of operating revenues and expenses, based on a review of comparable projects and the local market (Figure 3). The major costs of operating the Rail Yards long term are expected to be payroll, maintenance and repairs, and open space maintenance.

The largest revenue source is expected to be long-term leases executed for existing buildings, the land on which buildings-within-buildings can be built, and housing land (in the south). LCG estimates that such leases can generate in excess of $500,000 per year at build out. The balance of the necessary funds can be generated by a common area maintenance charge (paid by lessees and tenants), temporary and events revenue, foundation and philanthropic contributions, and some ongoing maintenance of open spaces by the City. Combined, these revenues should be able to cover ongoing costs.

Figure 3. Operating Expenses and Revenue at Project Build Out; Scenario 2

	Scenario 2
Operating Expenses	
Payroll	$385,000
Maintenance and Repairs	$375,000
Park Maintenance	$30,000
Total	**$790,000**
Operating Revenue	
Lease Revenue	$568,597
Common Area Maintenance (CAM) Charge	$28,430
Temporary Uses: Events, Film Production, Other	$120,000
Parking Revenue	Incl. in leases
Foundation, Corporate, and Other Contributions	$100,000
Reimbursement for Park Maintenance, CABQ	$30,000
Total	**$847,027**
Net Revenue	
Operating Revenue	$847,027
Operating Expenses	$790,000
Net Revenue	**$57,027**

Source: Santa Fe Railyard Community Corporation; Leland Consulting Group.

Implementation Pathways

Determining how to move from vision to reality is rarely easy. There are multiple "implementation pathways" that the City and community may take in order to redevelop the Rail Yards, and particularly, multiple different organizations and entities that could be involved in leading redevelopment. This report defines two main implementation pathways: First, selecting a new Master Developer, and second, establishing a non-profit Community Development Corporation (CDC) to manage development and long-term operations and maintenance.

We believe that most experienced master developers would be very cautious about leading redevelopment of the Rail Yards. This is due to a range of factors, including the challenging development economics (significant site development costs summarized above, comparatively low rents/sales price points), remaining environmental risk, remaining unknowns (e.g., structural retrofit costs), and political exposure (high expectations). There is a limited pool of Albuquerque-based developers who could take on such a large project. For developers outside the area, the fact that the site is not in an Opportunity Zone will be a drawback. There are also downsides to a master developer approach for the community. Seeking a master developer can be an "all or nothing" approach: if the right partner is not locked in, little or no progress can be made. Given the community's past experience, there are inherent concerns about seeking a master developer. And lastly, there is community concern that a master developer would be less focused on equitable outcomes and community benefits.

Community Development Corporations (CDCs) are not-for-profit, 501c3 organizations. While their missions vary widely throughout the country, CDCs are often focused on the development of housing and commercial space for lower-income communities, neighborhood and district revitalization, and equitable economic development. Santa Fe Railyard Development Corporation is an example of a similar project implemented by a not-for-profit corporation. CDCs offer a compelling organizational model for the Rail Yard redevelopment for a number of reasons:

- As a purpose-built, site- and community-focused organization, it has focus and an organizational and financial imperative to succeed.
- The CDC is somewhat insulated from politics, ensuring that project progress will continue beyond one administration but also insulating the administration from difficult decisions.
- A CDC can act more swiftly and respond to opportunities than cities, for example, because a CDC is not subject to public procurement regulations.
- There is an established track record of CDC accomplishment and best practices, including projects in Santa Fe, Denver, Portland, Seattle, and other cities.
- CDCs can access additional funding sources such as New Market Tax Credits.
- A CDC has the long return on investment horizon that will be needed at the Rail Yards.
- A CDC can partner with site developers to build specific projects, via long-term leases.
- A CDC board can have both community representation and board members with strong development experience to provide implementation leadership. A CDC was the recommended implementation vehicle in the equity focus groups that were conducted.

Action Plan

There is much work to be done in order to take the Rail Yards from its current state to the active, vibrant, economic, social, and cultural hub that the community envisions. While big wins (such as bringing CNM to the site) will be important, the City should also appreciate the value of "singles and doubles." Incremental wins—getting on base—show visible momentum and a track record of accomplishment.

Given the City's momentum and motivation to move this project forward, the action plan for the next two years is focused on bringing the property to market via infrastructure and site improvements, establishing financing mechanisms, amending the Master Plan, bring the first tenants to the site, and implementing priority equity policies. For the long-term build out, LCG recommends that project transition to either a Community Development Corporation or a Mater Developer.

<table>
<tr><th colspan="3">Next Two Years</th></tr>
<tr><td>Public Works (Department of Municipal Development)</td><td colspan="2">• Property and Building Conditions Assessment (PCBA) and Cost Estimates
• Continue Environmental Remediation
• Design and Break Ground on North End Infrastructure
• Repair or Replace Roofs</td></tr>
<tr><td>Development Partnerships (Metropolitan Redevelopment Agency)</td><td colspan="2">• Put Staffing in Place to Execute Action Plan
• CNM Film Production Center of Excellence: Plan, Fund, and Negotiate Deal
• Refine North End Development Framework
• Establish TIDD District
• Refine the Rail Yards Marketing Message
• Release Request for Expressions of Interest (RFEI)
• Amend the Rail Yards Master Plan
• Continue to Host Cultural Events that Draw People and Celebrate the Site
• Evaluate the Formation of a Rail Yards Community Development Corporation
• Prepare Long-Term Building and Land Lease Templates</td></tr>
<tr><td>Equity (Office of Equity and Inclusion)</td><td colspan="2">• Develop and Implement Equitable Development policies with a priority on:
o Neighborhood Stabilization Funding and Programs
o Commitments to using local workforce and local contractors
o Community Capacity Building</td></tr>
<tr><th colspan="3">Three to Five Years</th></tr>
<tr><td></td><td>• Transition to Master Developer or</td><td>• Transition to CDC management</td></tr>
<tr><td colspan="3">See complete Action Plan (page 62) for full action plan details.</td></tr>
</table>

Introduction

In 2019, the City of Albuquerque engaged a multidisciplinary team led by Leland Consulting Group (LCG) to conduct this Redevelopment Evaluation of the Albuquerque Rail Yards, a city-owned, 27.3-acre site located about a half mile south of the heart of downtown Albuquerque. The LCG team includes equity advisor Claudia Isaac, Ph.D., and urban designers Sites Southwest.

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Contents. This report is organized into the following sections:

In order to prepare this evaluation, LCG has reviewed demographic data from the US Census, ESRI Business Analyst, State of New Mexico, UNM, and other sources; economic and real estate information from MRCOG, the Urban Land Institute (ULI), local brokerages CBRE and Colliers, and CoStar; reviewed the Master Plan and other past Rail Yards reports; conducted tours of the site and surrounding areas; conducted a series of conversations with local residents and community leaders; discussed redevelopment of the property with members of the RYAB, and local experts in economic development, real estate, and other fields; and interviewed those involved in comparable redevelopment projects around the US West, among other actions. We very much appreciate the contributions and input from the Albuquerque community stakeholders, who know this site and its history, and let us know about their perspective, concerns, and aspirations.

Guiding Principles. The six Guiding Principles from the Rail Yards Master Plan are summarized below, in the order they appear in the Master Plan. LCG has edited these principles in order to fit them into a concise list, while seeking not to change their fundamental meaning. The complete set of Guiding Principles and Goals can be found in the Master Plan. Based on input received at meetings with the City and a variety of community stakeholders, LCG has also added three additional lenses, which addresses the importance of an inclusive process, equity, and financial feasibility.

Master Plan Guiding Principles, 2014:

- Jobs Generation, Economic Development & Economic Viability
- Housing: Affordable, Limits Displacement, Mixed-Use/Increases Vibrancy
- Community Connectivity: A Public Space, connected to nearby neighborhoods by multi-modal transportation
- Land Uses: A Mixed-Use Model and Catalyst, Consistent with other past plans
- Architecture and Historic Rehabilitation
- Art and Culture

Redevelopment Evaluation Lenses, 2019:

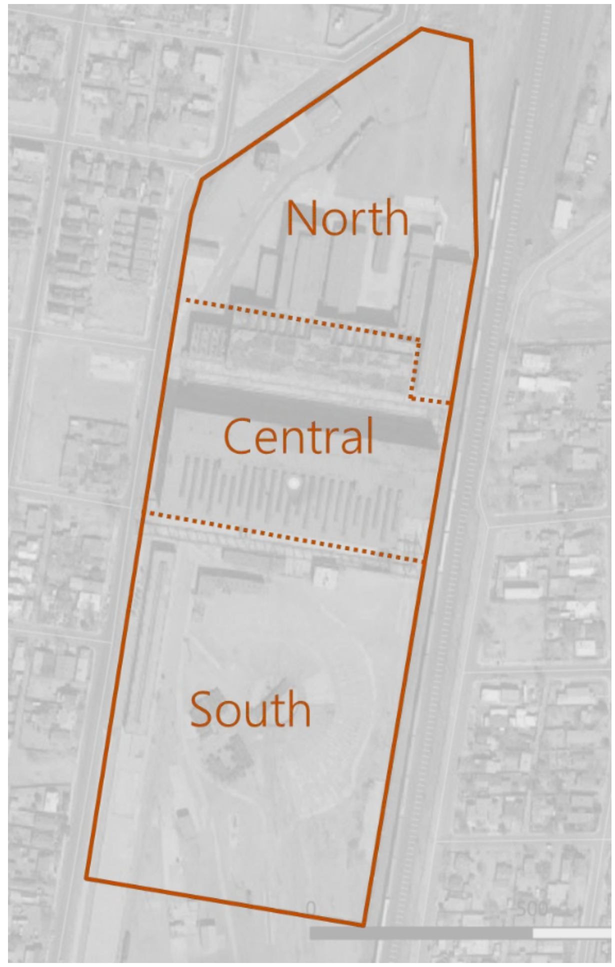
- A process that includes and reflects the aspirations and needs of surrounding communities.
- A fiscally responsible use of City funds and other public funds.

Development that is financially feasible for third-party development partners (whether non-profit or private)

A Bridge to the Future. Numerous stakeholders interviewed for this report emphasized the importance of being able to tell a clear and compelling Rail Yards "story." One potential story is that the Rail Yards can serve as an economic bridge—from its past as one of the City's most important sites for industry and jobs—to the future, as a new kind of job creator and gathering place. This compelling story can help attract tenants, employers, visitors, and private, public, and philanthropic funding.

Site Size and Areas. The Rail Yards property is very large, and practically speaking it would be difficult or impossible to fill it with one use. For a sense of scale, the Rail Yards, at about 2,000 feet long by 650 feet wide, could cover nearly the entire area bounded by 1st Street SW to 7th Street SW, and between Gold and Copper Avenues—a large section of downtown Albuquerque. It would be difficult or impossible for such an area to be occupied by a single land use. Moreover, the real estate market is not sending one clear signal that a particular kind of use *must* be dominant on the site. Creativity and imagination are called for.

Future development of the Rail Yards will ideally include a mix of land uses—including mixed-employment; events; retail, restaurant, and commercial; residential; and other uses to be determined. This is due not just to the vision but due to a market imperative.



The existing nature of the Rail Yards changes in character, particularly moving from north to south. For the purposes of this analysis, we have divided the site into the three sections shown at right: North, Center, and South. The types of development approaches and land uses are likely to vary in these sections.

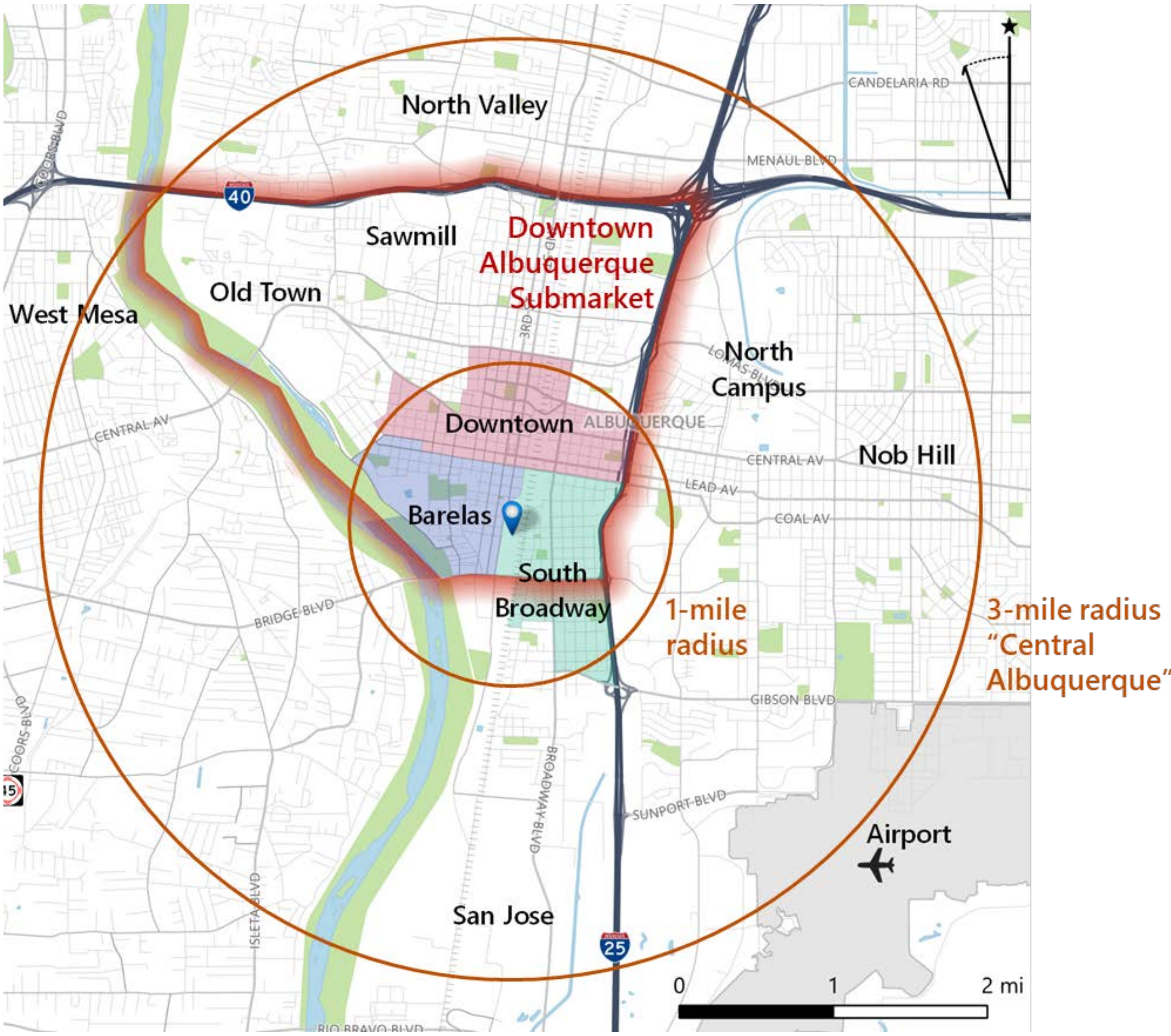
A mix of uses will require the City and its Rail Yards partners to be flexible, open, creative, adaptable, and opportunistic. The City should let the market guide the users that will be at the Rail Yards, since revitalization of the site will take many years, and there is no way to precisely determine the exact mix of land uses for that length of time. Redevelopment of the Rail Yards is likely to be a phased and incremental process.

Place Making. Based on development and consumer preference trends, the City's focus should be on creating a highly active, special, architecturally distinctive, energized place at the Rail Yards with a reasonably high density of people—employees, residents, retail and restaurant patrons, visitors, and others. This can be called place making. While this can be seen as simply a feel-good goal, it is also an economic development strategy. Studies show that Millennials in particular, as well as people of all age groups, are drawn to interesting, authentic, mixed use places. Innovative companies are also drawn to such locations.

Market and Demographic Analysis

The map below shows most of the key geographical areas that are referenced in this report. The demographic and real estate conditions within each of the areas provides context for the potential redevelopment of the Rail Yards. The Rail Yards property is shown as a blue placemark at the center of the map. Immediately adjacent to the Rail Yards property are three "neighborhoods:" Barelas, South Broadway, and the Downtown block groups. The latter are three US Census block groups that comprise the areas within and near Downtown Albuquerque where a significant amount of recent redevelopment and renovation has occurred. The Downtown Block Groups include parts of the EDo and Raynolds Addition neighborhoods. All three of these neighborhoods fit approximately into a one-mile radius from the site. The Downtown Submarket is bounded by I-25, I-40, the Rio Grande on the West, and Avenida Cesar Chavez on the South. This submarket is an area defined by office and retail brokers, and other members of the Albuquerque development community. Finally, the map shows a three-mile area that we also refer to as "Central Albuquerque" in this report for the sake of simplicity.

Figure 4. Key Geographical Areas



Source: Leland Consulting Group; City of Albuquerque (neighborhood boundaries); US Census (block group boundaries).

Figure 5 below highlights various demographic characteristics for a range of geographical areas relevant to the Rail Yards. Shading is used to indicate where demographic metrics for certain geographical areas are higher (green) or lower (white) than other areas.

Households are largest in the South Broadway neighborhood and smallest in the Downtown Albuquerque Submarket; in most other areas, the average household size is between about 2.2 and 2.5. The overwhelming majority of households in the Downtown Block Groups and Downtown Submarket are have 1 and 2 people. In most other areas, between 63 and 70 percent of households have one or two people. Such small households, often without children, are the most predisposed to live in downtowns and other urban neighborhoods, and in higher-density, multifamily housing, such as could be provided at the Rail Yards.

Household incomes are relatively low in Barelas and South Broadway, and increase moving away from the Rail Yards site towards the City and County. Median incomes in these neighborhoods are 55 percent of the Citywide median ($51,685 in 2017). Per capita incomes follow a somewhat different pattern. These are also lowest in Barelas and South Broadway, but considerably higher in the Downtown Block Groups and Downtown Submarket Areas. This again suggests the presence of smaller, professional households living in and near the heart of downtown.

Figure 5. Demographic Summary

	Barelas Block Groups	South Broadway Block Groups	Downtown Block Groups	Downtown Submarket	1-mile radius	3-mile radius	Albu querque	Bernalillo Co.
Households & Income								
Avg. HH Size	2.30	2.85	1.53	1.97	2.18	2.30	2.43	2.48
1- & 2-person HHs	69.0%	52.7%	90.4%	77.2%	69.7%	67.4%	64.0%	62.9%
Med. HH Income	$28,271	$28,327	$31,187	$34,257	$28,916	$35,415	$51,685	$52,146
Per Capita Income	$16,672	$13,832	$26,258	$25,047	$17,842	$22,179	$28,616	$28,772
2018 Population	3,631	4,174	4,835	21,586	12,825	90,115	571,471	690,312
Compound Annual Growth Rates (CAGR)								
2000 - 2018	-0.19%	-0.75%	0.95%	0.18%	-0.12%	0.24%	1.31%	1.21%
2010 - 2018	0.18%	0.00%	1.30%	0.65%	0.39%	0.21%	0.46%	0.41%
Education & Age								
Median Age	37.2	32.5	34.6	37.1	34.6	33.8	36.6	37.2
Aged Under 18	19.8%	26.0%	6.9%	15.8%	18.9%	19.9%	22.4%	22.4%
Aged 18-34	26.4%	27.8%	44.1%	31.1%	31.6%	31.9%	25.3%	24.6%
Aged 35-64	41.1%	34.8%	39.9%	38.6%	38.2%	34.7%	37.2%	37.7%
Aged 65+	12.7%	11.4%	9.1%	14.5%	11.3%	13.5%	15.1%	15.3%
25+ w/Bachelor's Degree	13.7%	12.8%	44.1%	33.9%	23.4%	30.2%	34.5%	33.7%

Source: ESRI (Environmental Systems Research Institute) and U.S. Census. Data is for the most recent year available, typically 2017 or 2018. LCG uses demographic data produced by for most demographic analysis. ESRI's primary data source is the US Census Bureau. In some cases, ESRI and Census data may not correspond exactly. In many cases, this is because ESRI combines Census data with its own analysis and calculations. For example, ESRI often adjusts estimates for household incomes and population growth levels for years that fall between the years that the Census has collected direct primary data. https://www.esri.com/en-us/arcgis/products/esri-demographics/overview

The population of the Downtown Block Group and Submarket areas is growing faster than any of the areas reviewed. This is likely due in part to their relatively small population base, to the popularity of living in close-in neighborhoods and downtown areas in recent decades, and to public policies encouraging residential growth in the center. While residential growth adds significant vitality and activity to downtowns, the rapid growth and higher incomes in Downtown are a reminder that gentrification and displacement are concerns, both in Downtown itself, and particularly in the Barelas and South Broadway neighborhoods.

As shown above, South Broadway has a large share of children below the age of 18, while few children live in the Downtown Block Groups. The Downtown Submarket has a large share of 18 to 34-year-olds, and the highest share of college-educated residents of any geography reviewed. There is a significant share of

65+ residents in New Mexico (16.4%, not shown), but a lower share of such retirees and other 65+ households in Central Albuquerque.

Market for Office, Industrial, and Other Employment Uses

By most measures, Albuquerque's economy has recovered from the worst years of the recession. But the City continues to search for engines to drive its long-term economic growth. One hope is that the Rail Yards can be one such economic driver, as summarized in the Master Plan's first guiding principle: "The Rail Yards, once an economic pillar for the community, is envisioned to become a hub of economic activity again."

Positive Economic Signals. There are numerous reasons to be cautiously optimistic about Albuquerque's economy, and these should be considered in plans for the Rail Yards.

The Albuquerque metro area is located in the US West, a region that continues to experience population and employment growth. Population, employment, and economic output (GMP) are all growing in the Albuquerque region, albeit at rates that are lower than many other Western metros. The region has a very strong concentration of STEM industries (science, technology, engineering, and math). Generally, U.S. cities and metro regions continue to be the engines of the national economy.

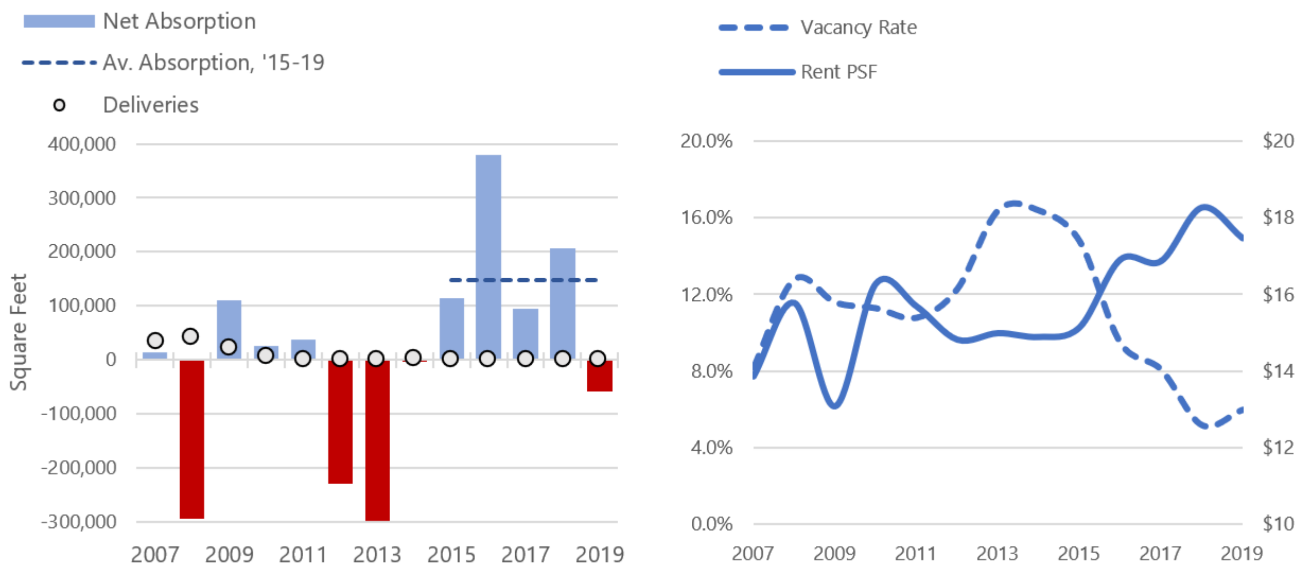
Albuquerque should continue to attract residents and businesses due to its quality of life, distinctive Southwest culture and heritage, access to nature, weather, affordability, and relative lack of congestion.

Several recent announcements by film industry leaders suggest that the film industry is particularly strong in Albuquerque and New Mexico. Netflix and NBCUniversal have committed to invest $1 billion and $500 million in the state during the next 5 and 10 years, respectively. The City has tallied more than $900 million in private-sector and institutional (e.g., university) development projects that are underway now or expected to break ground in the near future near downtown (*Albuquerque Journal*, July 29th, 2019).

In the Albuquerque region, the New Mexico Department of Workforce Solutions projects that almost *three quarters of job growth* will come in the health care, professional and technical services, and accommodation and food services industry. Professional services and technology businesses (who can occupy the mixed-employment space described above) are good candidates for the Rail Yards.

Figure 6 below highlights some positive aspects of the Downtown office submarket. After a number of mediocre and negative years following the recession, net absorption was strong for four years between 2015 and 2018, averaging 147,000 square feet per year. Since the low point in 2013, rents have been trending upwards, to an average of about $17.50 gross per square foot today, and the vacancy rate has been trending downwards, to about 6% today.

Figure 6. Office Market Trends, Downtown Albuquerque Submarket



Source: CoStar.
Note: Absorption and vacancy rates shown above are based on CoStar data and are likely to differ from the data reported by other sources, particularly brokerage firms. This is because CoStar's goal is to track all *office and related space, whereas brokerage firms often do not track the following: public office space including space occupied by city, state, federal, and utility agencies; some medical/healthcare space; owner-occupied office space, for example, regional bank headquarters buildings; and small buildings, e.g., those that are 10,000 square feet or less. This may be because brokers are not typically involved in leasing these spaces. For those reasons, vacancy figures in particular differ between sources. For example, brokerage firm CBRE calculates a vacancy rate of 24.1% for all downtown office space, and 9.1% for all Class A space, market wide (Q4 2018 Marketview). When highly occupied buildings such as state, federal, and medical buildings are included in the total building stock, the vacancy rate is lower.*

Economic Warning Signs. At the same time, there is a reasonable basis to question the viability of mixed-employment space at the Rail Yards. Office and industrial rents in the Downtown Submarket have been largely flat for the last decade. There has been no new major office or industrial development in the area during that period.

Office and industrial rents at the Rail Yards are likely to be lower than in central downtown, and even at downtown rents, "asking lease rates for quality buildings at prime locations showed upward trends [but] they have not yet reached high enough levels to justify new construction" (CBRE, 2019).

The Urban Land Institute's (ULI) 2008 report on the Rail Yards arrived at a similar market assessment; and the ULI's national 2019 *Emerging Trends in Real Estate* report indicates that other western metro areas are more likely to attract outside development and investment dollars than Albuquerque.

All of this underscores and emphasizes the importance of achieving incremental successes, leveraging key anchor institutions and uses such as CNM and the Rail Yards market, and the risk of pursuing a "one big tenant" and "sliver bullet" strategy at the expense of incremental momentum (though big tenants are possible).

CNM Film Production Center. The CNM and City proposal to locate CNM's Film Production Center of Excellence at the Rail Yards can be a game changer for the Rail Yards. While the CNM center might naturally be considered an educational use, we include it in the employment section in recognition of its potential to drive employment and define the economic purpose of the site. This center is an exciting and potentially transformative use that is proposed for the Tender Repair Shop, the Blacksmith Shop, or one of the other buildings in the north. The City, CNM, and other partners should do everything in their power to bring this Center to the Rail Yards, including assisting with their site planning, and supporting CNM's proposed capital bond vote later in 2019. CNM has proposed to occupy about 35,000 square feet of building space on the site. The Blacksmith Shop would be an acceptable location for CNM as it would make the Tender Repair Shop available for other "front door" uses described in the retail section below.

LCG views the Center as a positive for a number of reasons. It is a visible sign of momentum. The focus of study—film production—already has an authentic and interesting connection to the site, and CNM students and faculty can continue to produce and participate in films on-site. It will bring hundreds of young people, students, and professors to the site, along with their energy, creativity, and discretionary funds to be spent at businesses on or near the site. Film is one of the region's promising, growing industry clusters, that will help drive the future economy. The City needs institutions and other well-capitalized redevelopment partners like CNM at the Rail Yards, to help shoulder some of the capital and operating costs. CNM can continue to use not only its building but be an interim (film) user of the rest of the site. CNM has established connections to the private sector film industry and with the major film studios active in the region; the college currently rents space to these companies. Therefore, CNM can be one catalyst that pulls other innovative tenants and employers with it.

Forecast for Employment Space and Absorption. Over the past decade, net absorption of office and industrial space within the Downtown Albuquerque submarket (bounded by 1-25, 1-40, the Rio Grande, and Avenida Caesar Chavez) has been positive and combined for an additional 514,404 square feet (about 272,800 square feet of office space and 241,600 square feet of industrial space) of occupied space.

Figure 7. Office and Industrial Market Summary, Downtown Albuquerque Submarket

Year		Office					Industrial				Combined
		Rent PSF	Vacancy Rate	Net Absorption	Deliveries	Gross Absorption	Rent PSF	Vacancy Rate	Net Absorption	Deliveries	Net Absorption
2007		$13.86	8.2%	13,549	36,600		$5.06	9.4%	(239,580)	0	(226,031)
2008		$15.78	12.8%	(293,629)	40,610		$5.18	8.5%	43,118	0	(250,511)
2009		$13.08	11.6%	109,739	23,936		$4.74	9.7%	(59,727)	0	50,012
2010	1	$16.28	11.3%	25,204	7,500	444,653	$4.63	6.9%	13,730	0	38,934
2011	2	$15.69	10.8%	38,144	0	206,925	$4.69	4.9%	94,577	0	132,721
2012	3	$14.82	12.3%	(228,602)	0	115,142	$4.62	7.2%	(113,328)	0	(341,930)
2013	4	$14.99	16.4%	(298,093)	0	163,029	$4.84	6.1%	53,729	0	(244,364)
2014	5	$14.89	16.4%	(481)	2,200	169,458	$4.75	9.5%	(162,604)	0	(163,085)
2015	6	$15.14	14.8%	114,516	0	283,649	$4.72	7.3%	105,120	0	219,636
2016	7	$16.91	9.5%	378,997	0	555,815	$4.70	3.9%	163,517	0	542,514
2017	8	$16.87	8.1%	95,268	0	337,304	$4.74	3.1%	41,286	0	136,554
2018	9	$18.27	5.2%	206,606	0	616,963	$4.93	2.7%	20,139	0	226,745
2019	10 YTD	$17.47	6.0%	(58,748)	0	32,989	$5.89	2.2%	25,427	0	(33,321)
10 Year Av./Total		**$16.13**	**11.1%**	**272,811**	**9,700**	**2,925,927**	**$4.85**	**5.4%**	**241,593**		**514,404**
Av. Absorption, '10-19				27,281					24,159		51,440
Av. Absorption, '15-19				147,328					71,098		218,426

Source: CoStar.

The pace of absorption has increased dramatically in the last five years in both categories as the economy rebounded from the recession: office absorption in the last five years has been five times as fast as in the last decade. LCG believes that it is reasonable to estimate that non-CNM "buildings within buildings" space at the Rail Yards could capture 10 percent of this market over a decade—about 50,000 square feet if the next decade is similar to the past decade—or 60,000 square feet if the market remains strong. The Rail Yards could be in a good position to capture growth considering that the pipeline of new construction (competitive spaces) is very limited, and the Rail Yards is undeniably a unique space and a special address for the right employers.

It is also worth noting that the gross absorption (a measure of all tenant movement and not the *net* increase in space occupancy) is much larger. The 10-year gross office absorption (shown above) in the downtown submarket is more than 2.9 million square feet. Therefore, if the Rail Yards can capture more than it's "fair share" of all growth, the property could capture more than 60,000 square feet.

The rents shown above represent *averages* for office and industrial space. Asking rents for higher quality and "Class A" office space are reported at $20.35 and $22.90 by CoStar and CBRE respectively. It is possible that some of the new space built at the Rail Yards could seek to achieve these rents, assuming the space is high quality and appeals to growing tenant groups such as professional and technical services, or healthcare.

The development scenarios described later in this report contemplate the construction of approximately 110,000 to more than 200,000 square feet of mixed-employment space. These scenarios show how a large amount of employment or mixed-use space could be built at the Rail Yards. However, it is not likely that this amount of space would be filled in a 10-year time frame. More likely these scenarios represent one of the following: a long-term (20 year or more) build out; employment demand that is much greater than in the recent past; or major tenancies by public sector, institutional, educational, or cultural uses, which may need to be subsidized. Again, the precise mix of office, industrial, and other employment space should be determined by market conditions as the site builds out.

Other Catalyst Projects. In planning and building out the employment components of the site, the City should think about how the brand, story, tenants, and space offerings at the Rail Yards compare to those at other "economic catalyst" projects, particularly Innovate ABQ, located less than a mile north of the Rail Yards. If possible, the two projects should be clearly differentiated in order to build different industry clusters and capacities, for greater effect on the overall economy.

Rents and Space Suitability. Some stakeholders have stated that light industrial uses seem like a better fit for the Rail Yards than office uses, for example, due in part to the quality of the space. However, one reason that office space and other types of more-finished employment space (co-working, flex, makers space, commercial, etc.) are more desirable than industrial is that the rent for office space is more than three times as high as industrial space (an average of $16.13 gross rent per square foot versus $4.85). This higher rent means that it is more likely that nonprofit or private developers would be willing to take on more of the costs of construction, with less subsidy from the City or other public entities. In addition, industrial users often need to be able to access their spaces *directly* via car and freight trucks; they often require large parking lots with wide turning radii for freight. Building-within-building spaces may not have such direct access. A good middle ground may be "flex" space, which can accommodate some office, light industrial, and "showroom space," with rents at about $12 per square foot in the Albuquerque region.

Equitable and Inclusive Job Creation. The City and other Rail Yards redevelopment stakeholders have committed to seek ways to pursue a path of equitable community and economic development for the surrounding neighborhoods. When education and job training opportunities are provided at the Rail Yards, efforts should be made by the City and other institutions (e.g., CNM) to ensure targeted outreach to local communities, and ensure that local residents are among those who receive training. When employers locate at the Rail Yards (e.g., Rail Yards Market, other future employers), these employers should invest in efforts to recruit, train, and promote employees from the local community. When project developers (City or other) are recruiting tenants for space, they should first look to recruit local retail, restaurant, commercial, or general employment businesses. When construction and renovation takes place, contractors should seek employees from the local community. And when spending on commercial goods and services takes place, efforts should be made to ensure that a share of this spending takes place in the area—for example, on the nearby commercial corridors of 4th Street and Broadway Streets. There is much work to do to formalize an approach to equitable development of the Rail Yards. More detail is provided in the following Equitable Development Findings and Recommendations section.

Retail Market and Ground Floor Active Uses

National Context. Retail is changing quickly and dramatically throughout the country. Change is happening for a handful of key reasons. First, e-commerce is accelerating rapidly: it's share of all sales will double between 2014 and 2020 (from 6 to 12%). Second, many markets are "over retailed"—too much retail space was built in the second half of the 20th century, and that space cannot be supported by consumer spending. Third, consumer spending patterns are shifting: Millennials are buying less than previous generations and are buying experiences over stuff. Finally, traditional retailers are facing intense competition from discount retailers, including dollar stores, discounters, and off-price retailers.

Experience vs. Commodity. Because of these market changes, many retail categories are declining, while some are thriving. These are summarized below. One common theme among thriving retail categories is that they *offer an experience*. Often, patrons enjoy spending time at these places with family and friends, and they cannot get a comparable experience on line. Another theme is that they involve goods and services that require in-person presence and therefore are somewhat protected from online competition. Multiple types of food and beverage vendors fit within these themes and are thriving; at least for now, "you can't eat the internet." Other examples include healthcare, fitness clubs, and salons. Finally, LCG believes that the very term "retail," is becoming antiquated, and that "active ground floor uses" may be a better fit for what is often desired in urban districts. This is because healthcare, fitness, yoga, and even restaurants do not fit into some traditional definitions of "retail."

Figure 8. Retail Categories

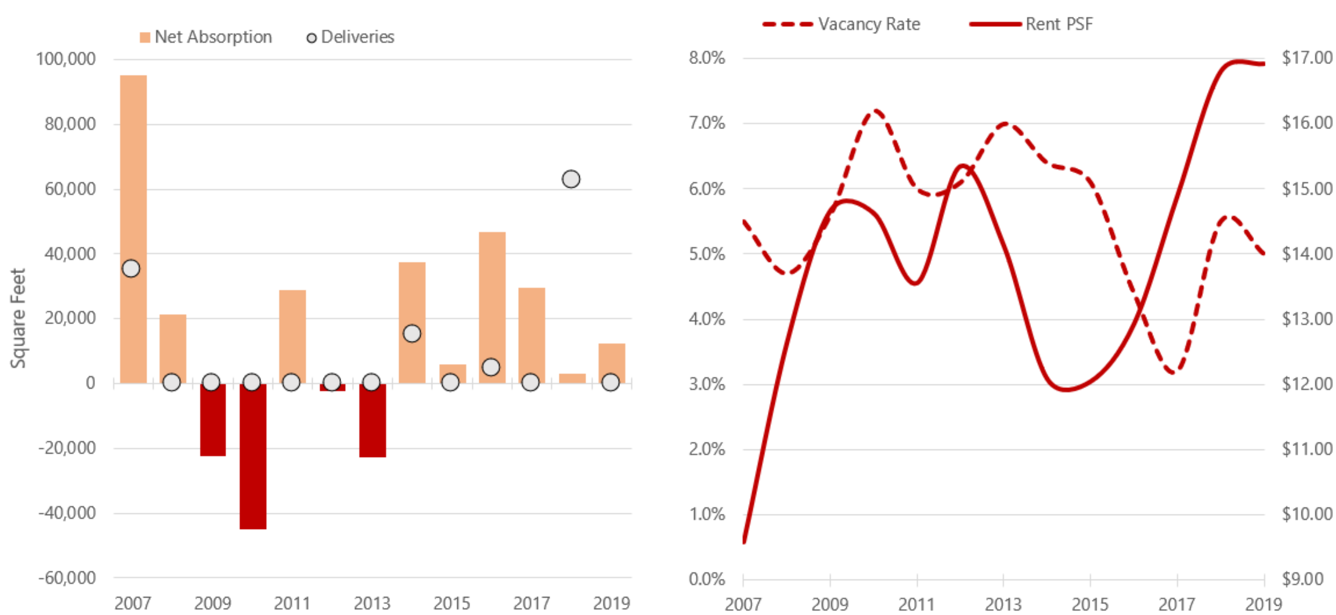
Thriving	Declining
• Retail that offers a special experience • Food! o "Fast Casual," i.e. Little Big Burger o Food Halls, artisanal markets o Upscale dining o Trucks to Bricks o Grocery: Discount, organic, small format, and ethnic	• Commodity retail that competes on price, and therefore with online vendors • Food: Casual dining, weaker fast food chains • Mid-priced apparel and shoes • Electronics • Office Supplies • Bookstores

• Health care and medical • Fitness, sports, yoga, and health clubs • Apparel: Fast fashion, off-price, sportswear • Auto repair • Convenience stores • Home improvement and home furnishings	• Pet supplies • Toy Stores • Video stores • Bank Branches

Downtown Albuquerque Retail Dynamics. According to CoStar, net absorption of retail space in the Downtown Albuquerque submarket has accelerated since the recession, to an average of 20,000 square feet per year for the last five years, as shown in Figure 9 below. Over the last decade, net absorption has been positive—about 93,770 square feet—but not as strong as the office or industrial absorption described above. This is consistent with most locations around the country, where the market for retail space is smaller than the market for employment space.

The average rent for downtown retail space is about $16.90 per square foot, triple-net. This has increased significantly over just the last five years; the average rent was about $12 per square foot in 2014. While this increase is significant, these rents are too low to support new, ground-up, speculative retail development. The vacancy rate has also gone down in the last five years, from 6.4% in 2014 to 5.0% today. Retail on the Rail Yards site will need to be "pulled in to place," by either supportive public actions (such as building renovations and leasing) and/or the arrival of anchor tenants (such as employers) that will create more demand for goods and services.

Figure 9. Retail Market Trends, Downtown Albuquerque Submarket



Source: CoStar. Note: Absorption and vacancy rates shown above are based on CoStar data and are likely to differ from the data reported by Albuquerque based brokerage firms. This is because CoStar's goal is to track all retail-related space, whereas brokerage firms often do not track small stores (less than 10,000 square feet), owner-occupied properties, and other stores for which brokers are not typically involved leasing space. For those reasons, vacancy figures in particular *differ between sources. For example, brokerage firm CBRE calculates a vacancy rate of 12.8% for all downtown retail space, and 7.7% for all retail space, market wide (Q4 2018 research report). When highly occupied buildings such as owner-occupied buildings are included in the total building stock, the vacancy rate is lower.*

Downtown's Strengths and Role. ESRI data show that central Albuquerque is a currently a regional destination for people seeking restaurants, food, and drink: the area has a significant surplus of these establishments. Experience shows that people will travel greater distances to special dining locations, when compared to shopping for commodity goods. LCG believes that the Rail Yards can capitalize on downtown's historic and cultural role as a center for food, drink, and recreation. This is reflected by the success of the Rail Yards Market.

To a lesser degree, downtown is also a center for miscellaneous retailers, and other types of retail such as cinema, books and music, and health and personal care. These retailers will be more attracted to core downtown locations, which already have high day-time employment populations, and visibility along Central and other main thoroughfares.

Data also show that there is significant "leakage" of retail spending in the general merchandise category. This means that residents who live within one to three miles of the Rail Yards are likely purchasing everyday home and personal goods at stores such as Wal-Mart, Target, pharmacies, and convenience stores that are located outside of downtown. LCG believes that there may be adequate demand in downtown to support an additional pharmacy or general retailer on the scale of City Target (a small, urban version of the parent company). However, because of the low employment and population density, and traffic volumes at the Rail Yards, such a retailer will be better suited to the downtown core.

Place Making: Quality over Quantity. In the process of making vibrant and interesting urban places, the *quality* and type of active ground floor uses is more important than the *quantity* of space. For example, in many urban mixed-use buildings, ground floor active uses totaling 5,000 to 10,000 square feet may be located below 100 or more housing units. Individual tenants can be as small as 1,000 or even 500 square feet. Examples of "micro retail" include the El Vado Hotel, recently renovated in Albuquerque, and The Ocean project in Portland, Oregon, shown at right.

The ratio of housing to active ground floor space can be 10 to 1 or more. However, these relatively small ground floor spaces can have a tremendous impact on visitors' sense of place, especially when they are filled with restaurants, other food and beverage vendors, or other businesses that create activity, and indoor-outdoor transparency.

Rail Yards North: The Front Door. The northern part of the Rail Yards is the property's "front door," for most who are approaching it, from downtown, Central Avenue, etc. It is currently primarily occupied by a range of small and medium-size buildings and parking that serves these buildings. A range of activities is underway in the north, including the Rail Yards Market, a potential CNM tenancy, and a range of building and site improvements.

Since visibility and accessibility are most critical for retail, restaurant, and general commercial uses, the best location for these uses is in the north, and northwest of the site in particular. The modest size of buildings in the north part of the site are also a better fit for the small tenants described above.

Recommendation. LCG recommends a target of 10,000 to 20,000 square feet of retail space in the next decade; the lower end of this range would be a 10% capture rate of downtown retail net absorption, assuming the coming decade is similar to the last one. The following types of retail businesses should be targeted:

- Food and beverage, potentially including fast casual restaurants, a food hall, food trucks, and prepared foods and produce vendors associated with the Rail Yards Market.
- Small, local vendors that build on the Rail Yards' unique, historic, and gritty character.
- Businesses that are already located in the Barelas, South Broadway, San Jose, or Downtown districts and are seeking to expand or site a second location; or businesses that serve these communities.
- Vendors that reflect the emerging themes of the site, for example, film or rail travel;
- Potentially, other targets may include a limited number of other "ground floor tenants" drawn from the "thriving" list above, such as fitness or healthcare.

Mixed-Use Multitenant. LCG also believes that the distinction between retail and other ground-floor active uses is diminishing. Both shoppers and employees at places like the Rail Yards are interested in active and interesting places. The distinction between retail and employment space is particularly blurred by uses such as "makers space," where companies producing everything from pottery, to bicycles, to robots can both produce and display their goods.

LCG recommends that the City look for opportunities to adaptively reuse one or more of the northern buildings—Blacksmith Shop, Flue Shop, Tender Repair Shop, Paint Room, Fire House, or Pattern House—as mixed-use, multitenant, mixed-employment space. This multitenant space could include retail, food and beverage, makers space, film production companies associated with CNM, professional services, and light industrial. This has the potential to generate a high amount of activity and energy in a small amount of space. As stated above, tenants for such space can be 500 to 5,000 square feet. The space can be relatively raw and unfinished, since tenants will appreciate the unique history and grit of the Rail Yards buildings. Simple exterior access, and roll-up "garage doors" are a desirable feature. The northern buildings are well suited to such renovation since—compared to the Boiler Shop and Machine Shop—their ceiling heights are lower, and footprints smaller and narrower.

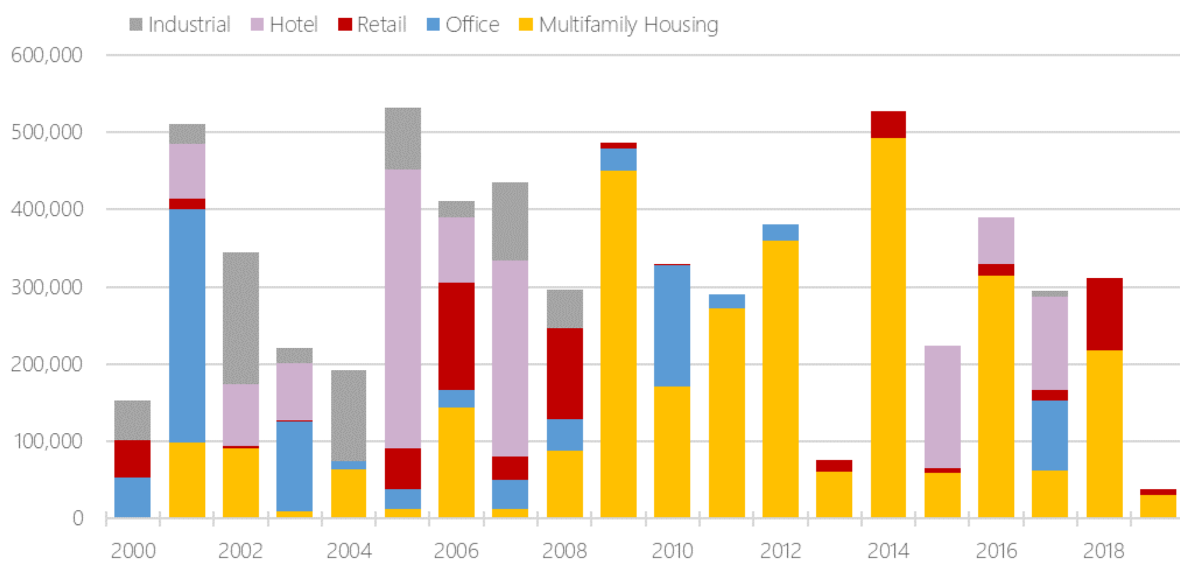
Housing Market

The Master Plan states that "integrating housing into the Rail Yards redevelopment of the site is important for three reasons: to ensure the availability of affordable housing in the community; to minimize possible displacement of people as a result of redevelopment; and to create a true mixed-use environment and a constant presence on the site, which will increase the overall vibrancy and safety of the site."

Central Albuquerque Housing Development. During the past decade, housing has been the most prevalent type of new development in central Albuquerque (an area we define as within a three-mile radius of the Rail Yards, extending from Nob Hill to Old Town and the Sawmill district).

Within this three-mile area, approximately 2,000 housing units were built between 2009 and 2019. According to CoStar, 2,092 units were built within at least 20 different projects, including 719 units that are specifically identified as rent restricted, and 1,373 other units that are largely market-rate but may have some affordability restrictions. This totals 2.4 million square feet of development. By comparison, the combined total of all office, retail, and hotel floor area built here was 850,000 square feet. Based on this trend, the market for central Albuquerque housing appears reasonably strong. This is consistent with national trends. Urban living, in proximity to downtowns—typically major centers for jobs and culture—and other central amenities is desirable.

Figure 10. Central Albuquerque Development Activity



Source: CoStar. Central Albuquerque is defined as the area located within three miles of the Rail Yards.

Between 2010 and 2018, downtown Albuquerque was one of the fastest growing parts of the region, at 0.74% annually, compared to 0.46% for the City. By comparison, the Barelas grew at 0.18% and South Broadway did not add population.

Barelas and South Broadway. The Barelas and South Broadway neighborhoods are historic Albuquerque neighborhoods whose history is linked to the Rail Yards. In the peak days of operations, the Rail Yards employed many residents of these neighborhoods.

Compared to the City as a whole, Barelas and South Broadway are more diverse. Barelas is known for its historically Latino population, and South Broadway for its African American residents. Whereas about 47 percent of city residents are Hispanic, about 72 and 80 percent of Barelas and South Broadway are Hispanic, respectively. 6.3 percent of South Broadway residents are African American, nearly double the City-wide average of 3.3 percent. Median incomes for households in both neighborhoods are less than 60 percent of the City's median income (about $28,300 versus $51,700). Households in Barelas are smaller (2.3 people on average) than the City average (2.4), while households in South Broadway are larger (2.8).

Most residences in the Barelas neighborhood are detached single family homes, through there are also attached homes such as townhouses, and apartments. Most development is between one and three stories. Residents of these neighborhoods have expressed a desire that any new residential development completed at the Rail Yards be compatible in terms of scale.

Developable area. In LCG's view, the amount of developable land at the Rail Yards is likely to be a more significant limiting factor for future housing development than market demand. This is for reasons mentioned above. First, the area that has been most clearly designated for housing development is the south part of the site. But the south part of the site must also accommodate a number of other uses, including parking to serve the uses on the North and Central parts of the site; roadway and access to the site; stormwater retention and/or treatment; parks and open spaces; and existing buildings such as the WHEELS museum/storehouse. In addition, there is an existing easement on the south side of the site. LCG's current analysis indicates that, once these requirements are met, there would be about 3.3 acres available for housing development in the south area if most parking is provided in surface lots; and about 5.7 acres available for housing development if parking is structured.

The Master Plan development standards also place limitations on where housing can occur on the site. In the south section, housing is allowed on two parcels. Parcel 2 is 1.8 acres in size, undeveloped, and is designated for workforce housing. Parcel 3, the Storehouse, is 1.5 acres in size and allows only "live-work" housing, along with cultural facilities such as the existing tenant, the WHEELS museum. It is not clear exactly how much of Parcel 3 could actually be used for housing, particularly assuming the WHEELS museum continues to operate there. LCG recommends that the City consider making housing an allowed use on Parcel 1 (7.9 acres), which would allow more flexibility in future site planning. We believe this change would be consistent with the Master Plan principles.

Santa Fe Avenue Site. In addition to the south section of the site, LCG's understanding is that a private developer currently owns a 1.1-acre site immediately west of the Rail Yards, which is bounded by Santa Fe Ave., 3rd St, Pacific Ave., and 2nd St. This developer has undertaken affordable, mixed-income, and mixed-use development elsewhere in Albuquerque, and could build this site out with a similar program.

Comparable Projects. As stated above, numerous potentially comparable residential and mixed-use projects have been completed in central Albuquerque in the last decade. LCG reviewed a range of projects, including the Sawmill Community Land Trust, Casitas de Colores, the Imperial Apartments, Silver Lofts, Sterling Apartments, and other projects. Three of these projects can be seen as low, medium, and high densities for the Rail Yards Site: The Sawmill at 18 units per acre; Casitas de Colores at 34 units per acre; and the Imperial Apartments at about 80 units per acre.

Projects that are similar in scale to the Imperial probably are not a good fit for the Rail Yards site, particularly the south side of the site. However, it is possible that a project the scale of the Imperial (four stories, mixed-use, 80 units per acre) could be built on the Santa Fe Avenue site, or potentially integrated into the north or central part of the site. This latter option would require a very thoughtful approach to designing and integrating the new project in with the historic buildings.

Figure 11. Comparable Housing Projects

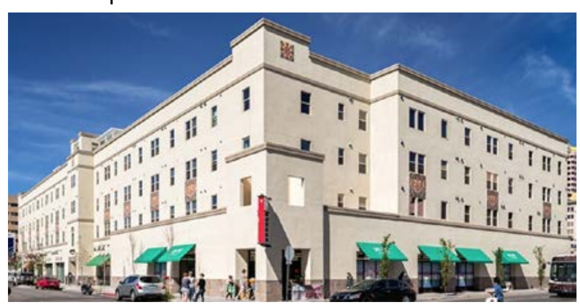
Sawmill Community Land Trust

SW Iron Street Homes (Barelas)

Sawmill Community
18 units per acre

Casitas de Colores
34 units per acre

Imperial Apartments
80 units per acre



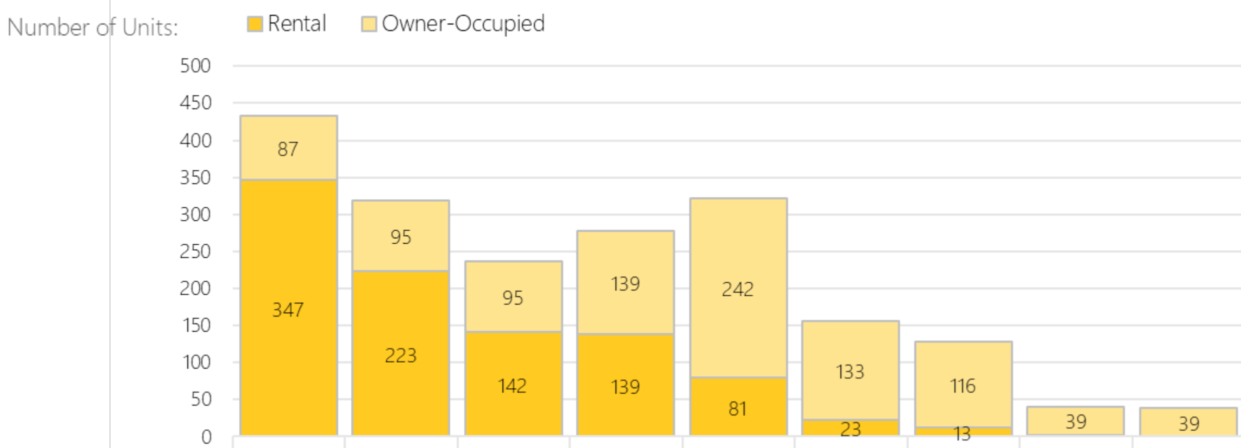
Funding Constraints. Funding availability will be another limiting factor for future housing development. Public gap financing—from Low Income Housing Tax Credits (LIHTC), Albuquerque Workforce Housing Trust Fund, low-cost ground leases, or other sources—is typically required in order to develop of affordable and workforce housing, and close the gap between development costs and below-market rents. Such funding sources are limited. LCG did not undertake a careful analysis of the future availability of such funding sources, however, we assume they will be available in the years and decades to come. One source of subsidy that should be considered is a low- or no-cost, long-term, ground lease, which was used at the Sawmill Land Trust. The City could also engage a third-party, non-profit land trust to guide housing development.

Market Depth, Absorption, and Demand. As suggested above, LCG believes that the amount of developable housing land and funding will be more significant constraints than market demand. Assuming that housing demand in Central Albuquerque (within three miles of the Rail Yards) in the coming decade is similar to that in the past decade (demand for approximately 2,000 units), we believe it is reasonable that the Rail Yards could capture 5 to 10 percent of that demand, e.g., 100 to 200 units.

This absorption would be comparable to that at the Sawmill, which has seen about 360 units built over two decades, or 180 units per decade. 50 percent or more of the housing demand shown in Figure 12—for households earning less than $50,000 per year—is likely to require either some form of affordable housing subsidy, or vacancies in older units as higher-end households move into market rate units.

Figure 12 below shows LCG's 10-year projection of housing demand for Central Albuquerque by household income category, as well as the maximum rent home price that is likely attainable based on those incomes. Since this analysis is for a large area, and housing at the Rail Yards would capture a segment of this larger market, actual home sale and rental prices at the Rail Yards would depend on the design and brand of the housing community and units, the developer(s) involved, and other factors. That said, LCG expects that homes would be available to households with incomes ranging from area median income (AMI, $51,685 per year) to 30% of AMI (approximately $15,000 year). High-end home rental and purchase prices for such households are shown below.

Figure 12. 10-Year Housing Demand Projection by Income Category, Central Albuquerque



Household Incomes	up to $15k	$15-25k	$25-35k	$35-50k	$50-75k	$75-100k	$100-150k	$150 -200k	$200k+
Max. Rent	$375	$625	$875	$1,250	$1,875	$2,500	$3,750	$5,000	$5,000
Max. Purchase Price	$57,000	$95,000	$133,000	$190,000	$285,000	$380,000	$570,000	$760,000	$760,000

Source: ESRI Business Analyst, Leland Consulting Group.

Hotel Market

Lodging Demand Drivers. There are a number of traditional drivers of lodging demand, and therefore feasible hotel development and operation. These include the proximity of major office employment concentrations (which drives business travel); tourist destinations, including festivals and events; proximity to major overnight destinations such as hospitals, universities, and convention centers; high levels of visibility, typically from major auto routes such as I-25 or Route 66; and general regional population and employment growth.

In recent years, there has been a major trend in hotel development towards downtown and urban locations and brands that are unique and authentic, and away from corporate and generic. This follows the great interest by Millennials and other age groups for unique and locally authentic experiences.

National Context. Many Western markets have seen a major hotel construction boom over the last five years, as the country worked out of the recession, business and leisure travel returned, and hotel developers became more confident. This means that, in the short run (next one to five years), many Western markets have an oversupply of hotel rooms, and hotel developers may begin to hold back on new investments.

Central Albuquerque Lodging. LCG identified seven new hotels that were built between 2008 and 2018 within central Albuquerque (within three miles of the Rail Yards), and six that underwent major renovations. In many ways, these hotels built on established patterns of lodging in central Albuquerque. They are clustered in downtown (e.g., the renovated Hotel Andaluz and new Anthea at the Granite), along major transportation routes (e.g., the renovated Parq Central at I-25 and Central), near major tourist and visitor destinations (e.g., Hotel Chaco near Old Town and Home2Suites near UNM), and near the Sunport (e.g., Hampton Inn and Residence Inn). Nightly rates for hotels during March and April of 2019 were $130 to $156 per night.

Notably, LCG is not aware of any significant hotel properties located south of Gold Avenue in central Albuquerque. As suggested above, most hotels in central Albuquerque are located north of Central, and on the Central Avenue axis, east and west of downtown.

Figure 13. Hotels in Central Albuquerque: New Construction and Major Renovations, 2008 to 2019,

Source: CoStar; Leland Consulting Group.

ULI Analysis. In 2008, the ULI Panel concluded: "Currently, the Rail Yards cannot compete for a hotel. The site does not have the access and visibility typically required by hotels, and it is too far from downtown and the convention center. However, a dynamic mixed-use development on the rail yards may create an environment sufficiently active and attractive to support an extended-stay hotel in a later phase, either on the site itself or on the 7.2-acre site to the north, closer to downtown."

Current Analysis. LCG generally believes that the ULI's 2008 analysis remains valid. LCG views a Rail Yards hotel as a "following use," rather than a first-in land use. In other words, we believe that a hotel will be best positioned for success if it can follow on the success of a number of the development measures described above: adaptive reuse of many of the northern buildings, the CNM Film Production Center of Excellence, renovation of the Boiler and Machine Shops, a range of mixed-employment uses, restaurants and retail, and more intensive festival and event use of the site. Once these are accomplished, or a clear plan for their accomplishment is laid out, the Rail Yards will be more welcoming for the necessary business and leisure travelers.

Because the Rail Yards is a long-term project, the pace of hotel development and reinvestment between 2008 and 2018 appears encouraging. Since Central Albuquerque added a new hotel about every 18 months, it is reasonable to concluded that the Rail Yards could accommodate a hotel—*if other uses are successful added first, if the site realizes is vibrant mixed-use potential, and if the hotel can find the right location on site*.

Recommendations. LCG recommends that the City remain open to the potential for a hotel at the Rail Yards. It would certainly have benefits, including a greater mix of land uses, attracting hundreds of people to the site during evenings and weekends, support for retail and commercial uses, supporting a connection to events and festivals on site, and tens of millions of dollars in private investment.

However, LCG does not view a hotel as a “phase one” project, and believes that uses such as CNM, mixed-employment, retail and restaurant, events, housing, and other uses described above have more momentum in the near term.

Equitable Development Findings and Recommendations

Equitable development is an approach to creating healthy, vibrant, communities of opportunity. An equitable development strategy for the redevelopment of the Rail Yards considers not only a return on public and private investment, but the return and benefit to the adjacent community residents and businesses. Equitable outcomes manifest when intentional strategies are put into place to ensure that everyone can participate in and benefit from decisions that shape their community. The redevelopment of the Albuquerque Rail Yards offers a unique opportunity to implement principles of equitable and inclusive development. Done well, the equitable redevelopment of the Rail Yards could be a model for the nation.

The 2014 Rail Yards Master Plan provides a framework that includes several principles of equitable development including the provision of affordable housing and first source hiring practices. Building on that framework the Consultant team held a series of focus groups and interviews with residents of the South Broadway, Barelas, and San José neighborhoods, representatives of community-based organizations in the neighborhoods, and governmental agencies serving the neighborhoods.

A campaign report entitled, "Report on Equitable Development and Community Benefits in the Albuquerque Railyards," was prepared by Dr. Claudia Isaac, PhD. Below is a summary of the recommendations that emerged from these discussions and interviews:

Development Strategy and Phasing

- A **phased, incremental development strategy** will maximize equitable development impact. Phasing development will allow the neighborhoods to prepare proactively for redevelopment and to work internally to maximize benefits rather than waiting for development benefits to appear.
- The implementation of Rail Yard redevelopment by a **Community Development Corporation with broad neighborhood credibility** can plan and coordinate redevelopment efforts, convene a community-heavy board, and help build community and City capacity. Benefits of this type of implementation structure include the ability to raise philanthropic funding, access New Market Tax Credits, focus on community engagement, and span political changes in local government. This entity would require **sufficient funding to staff and fund programmatic work of the organization.**
- **Criteria should be established at the district level for subsequent individual development agreements** that provide for the community benefits described below. Those agreements need to include claw-back provisions, be based on measurable, and have time-specific performance indicators; and **clear monitoring and enforcement mechanisms.** Operational funding should include staff to monitor and enforce these agreements.
- As a development strategy is determined, **the City should leverage the capacity at the CABQ Office of Equity and Inclusion to create an implementable equity plan**, that includes staffing sufficient to monitor and implement the plan.

Economic Prosperity

- There are a number of **existing local entrepreneurial initiatives and existing local businesses** that could benefit from business development at the Rail Yards. A diverse mix of small and medium sized enterprises are most likely to create links to existing businesses and neighborhood entrepreneurial potential. The relatively low incomes of neighborhood households call for a mix of price points in commercial enterprises on the site.
- The City should engage a consultant team to develop a **long-term community-based business development plan.** This plan should propose a preferred mix of demand-focused and labor supply-focused businesses to recruit or develop.
- Barelas Community Coalition (BCC) and Rail Yard Market are making significant efforts to diversify Rail Yard market venders and price points, and are currently working on an equity, diversity, and inclusion plan. Current efforts include offering vendor space for $5 to residents of the local community, double bucks for those using an EBT card, and translating all materials into Spanish. The City should support the Rail Yards Market to develop a long-term business plan. As the site develops, **the Rail Yards Market could evolve into a permanent presence in a multi-tenant, food hall with space for both farmer and artisan products.**
- Development and circulation improvements should re-affirm the Master Plan's call for connectivity between the Rail Yard site and the South Broadway and Barelas neighborhoods in order **to ensure two-way connectivity and multiplier effects between neighborhood businesses and those on the Rail Yard site.**
- The City should explore ways to **support the stabilization of existing businesses** by supporting them to purchase their commercial property.
- Working in partnership with the Office of Equity and Inclusion and Department of Municipal Development, the City should **establish goals for local contractors and sub-contractors on construction contracts and create procurement, contracting, and monitoring tools.** The definition of local should be determined, an available vender list created, and where possible, large contracts should be broken into smaller contracts.
- Permanent businesses should be encouraged to **support local business supply chains;** with enforceable buy-local commitments.

Workforce Development

- The economic development strategy should **include a worker supply-driven approach.** This type of strategy focuses on the qualifications and training aspirations of residents in the neighborhoods, and then seeks to recruit businesses that create career ladder opportunities for that population. This approach begins with market research to match local worker aspirations with real market, sustainable jobs.
- **First-Source hiring plans with on-the-job training requirements** should be required in all construction contracts and permanent employers located at that site. Recruitment and referral networks within the community need to be created. Employers should be linked to State and Federal

programs, which provide financial incentives for on-the-job training. Rail Yard development agreements and contracts should **encourage youth internship opportunities.**

- **Workforce training resources and other community service programs could have a location at the Rail Yards** to support integration and enforcement of these programs.
- CNM should actively market their Film Production training program in the local community. CABQ Film Office and CNM should **work with the film industry partners to address barriers to entering the film industry** such as upfront union dues and limited enrollment caps, inconsistent work schedule, and obscure hiring processes.

Affordable Housing

- The City should invest in neighborhood stabilization strategies early, while property values are attainable. Strategies should address all aspects of the housing spectrum and assist renters, homeowners, seniors, and those facing foreclosure. Suggested strategies include:
- **Stabilizing existing homeowners:**
    - Providing education to eligible homeowners to secure existing property tax freeze programs;
    - Providing home improvement loans/ grants to help homeowners make necessary improvements, such as roof repair, heater replacement, etc.
    - Providing mortgage assistance loans to bridge the gap between what current residents can afford and the market rate of housing.
    - Acquire and renovate vacant/abandoned homes and sell them to modest income homeowners; and
    - Finding innovative strategies to help older residents age in place.
- **Stabilizing existing renters:**
    - Supporting the **development and preservation of affordable rental units** that are required to remain affordable long-term.
- Available resources for these programs include UDAG, CDBG, and the City's Workforce Housing Trust Fund. Neighborhood residents should work with their representatives on the Housing and Neighborhood Economic Development Committee **to prioritize neighborhood stabilization program funding.**
- Many participants indicated that they would like to build income diversity in the neighborhoods by **inviting back former residents who have left** for homes in other parts of the region. An acquisition rehab program, coupled with a strategic marketing campaign utilizing existing social networks of neighborhood institutions could help attract the target market.
- **Home-ownership assistance programs should provide for wealth creation and equity building.** Land trust models, if not structured well, can continue the historical exclusion of households of color from wealth creation through equity building.

Arts and Cultural Development

- **Existing community arts organizations** (including Casa Barelas, the National Hispanic Cultural Center, and Working Classroom) should be invited as active participants in arts and cultural programming on the site. Cultural programming at the Rail Yard should be coordinated with venues in the adjacent neighborhoods.
- If a large cultural facility is developed, the plans should include **a dedicated space curated by an advisory group of local representatives**, reflecting the local history, culture, and art in the local community.
- **Event spaces should provide a local discount** to ensure neighborhood community groups have access to the venue.
- A **historical remembrance project,** as a collective effort with local arts and culture organizations and the City, could surface complex community cultural meanings, engage elders as a font of cultural knowledge, re-invigorate public involvement, and harness fresh perspective from youth.

Environmental Justice

- **Develop sustainability criteria** to guide business incubation and recruitment strategies for the Rail Yard site and in adjacent neighborhoods. Care should be taken to recruit and develop businesses that are sustainable all along their supply chains.
- Explore ways that opportunities from Rail Yard development can **incentivize development of sustainable businesses** along South Broadway and Commercial that take advantage of economies of agglomeration incentivized by recruitment of sustainable enterprises on Rail Yard site.
- **Execute environmental remediation activities with full transparency**, regular community updates, and under the regulation and supervision of NMED.
- BNSF activities may be influenced from Rail Yard redevelopment activities, inadvertently pushing activity and idling of rail cars further south. When working with BNS&F, the City should **proactively seek ways to ensure no increased activity in residential neighborhoods to the south** and encourage Rail Yard activities that create market incentives to reduce existing undesirable activity.

Community Engagement

- The **Rail Yards Advisory Board** (RYAB) plays an important function to help build broad state-wide financial support for Rail Yard redevelopment. However, the RYAB as currently configured, with a priority on elected officials over neighborhood representatives, is perceived by neighborhood residents as a quasi-governmental entity that is not completely in touch with community needs. It is seen to play an important role in guiding Rail Yard development, but not as a tool for community engagement.
- **Plan amendments should be carefully considered** so that revision of the Plan does not distract neighborhoods from other critical matters or from substantive progress at the Rail Yards.

- Rail Yard redevelopment should be **framed as a very long-term project,** as expectations in 2014 were very high, and disappointment about the lack of progress was/is particularly difficult to come back from. As soon as feasible, **the City should announce its phasing strategy, with a realistic timeline for development and build out, and for the expected community benefits** the development is intended to create.
- Capacity of most CBO's in the neighborhoods is limited, despite the strong commitment of a relatively small group of active members. The City could help **build the capacity of the existing organizations** with help in fundraising, grant writing, and organizational development technical assistance, as requested.
- Specific community engagement strategy recommendations include:
  - **Expand the CABQ Rail Yards website** to include links to technical documents, announcements for neighborhood events, cross-links to Cultural Services and Office of Neighborhood Coordination web and social media presences, publicize jobs and contract opportunities, and local vender registration, and provide accountability on equity metrics.
  - Tabling at various community events can engage local residents on the formation and implementation of the redevelopment plan. The City should also use these events as an opportunity to **disseminate information about existing housing, home maintenance, workforce training, and taxation programs.**
  - **Host tours of the Rail Yards** to welcome community members back to the site where they or their family members worked.

Development Scenarios

LCG prepared three development scenarios based on the market analysis above and stakeholder input. The scenarios are summarized below. They share many common elements—for example, the historically significant buildings on the site are adaptively reused in all three.

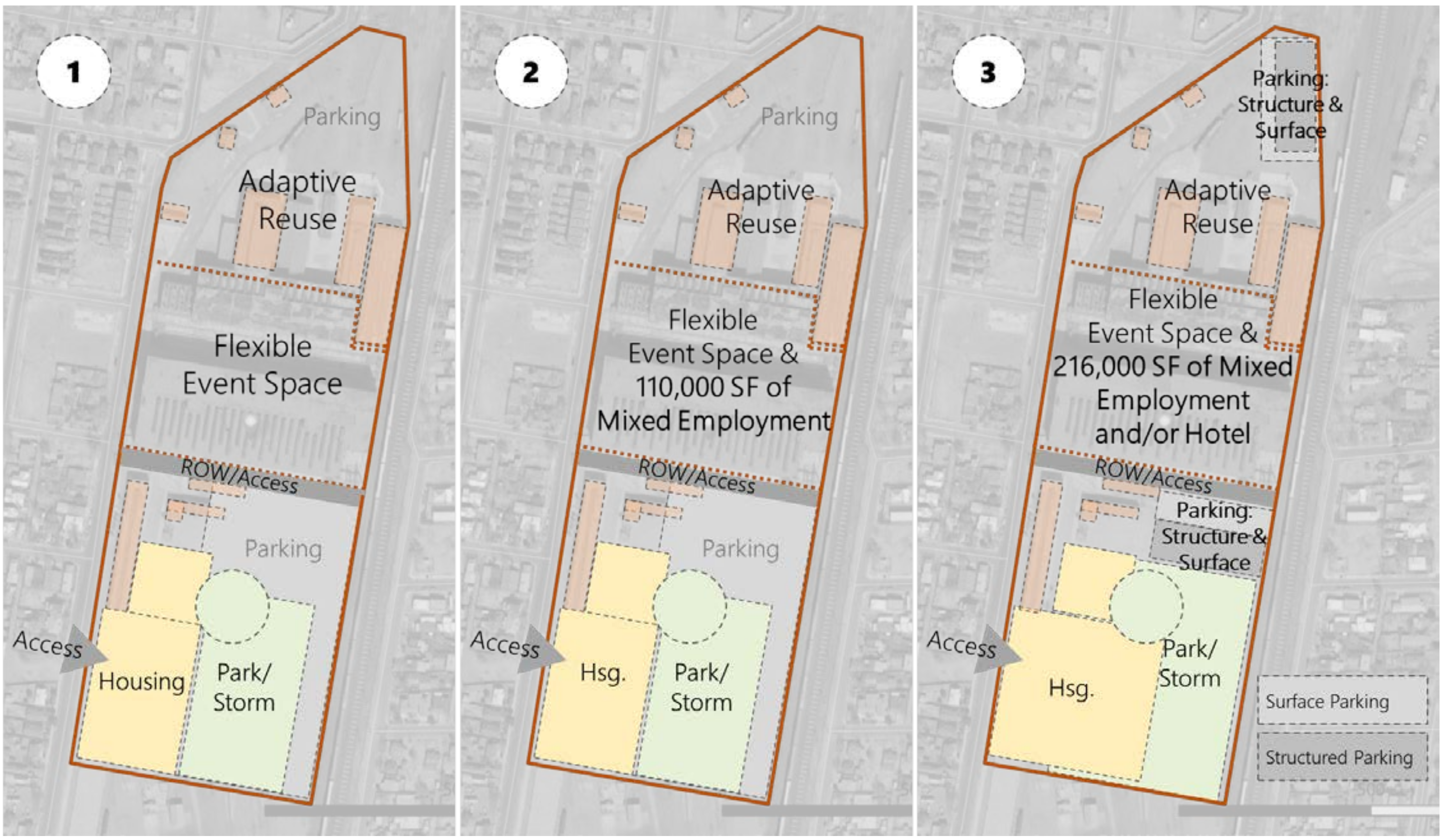
The scenarios increase—in terms of density of land use, activity, and anticipated cost to both the City and its development partners—moving from scenario 1 to 3. In scenario 1, flexible event space dominates the main buildings at the center of the site. In scenarios 2 and 3, mixed-employment space located within the Boiler and Machine Shop is added to the event space. As the amount of event and employment space increases in Scenario 3, structured parking is required. While such parking is expensive, the smaller footprint of structured parking frees up more land in Scenario 3 that can be used for more housing development in the south, and other uses.

Figure 14. Development Scenario Summary

<table>
<tr><th>Scenario</th><th>1</th><th>2</th><th>3</th></tr>
<tr><td>Density & Cost</td><td>Low</td><td>Medium</td><td>High</td></tr>
<tr><td rowspan="2">North</td><td colspan="3">• Adaptive reuse of Blacksmith Shop, Flue Shop, Tender Repair Shop, Waste and Paint Rooms, Fire Station, and Pattern House, in order to include uses such as RY Market, CNM, restaurant and commercial, and mixed-employment.</td></tr>
<tr><td colspan="2">• Parking lot for most or all of these uses (with some "overflow" or special event parking on South).</td><td>• Parking structure (optional)</td></tr>
<tr><td rowspan="2">Center
(Boiler Shop, Transfer Table, and Machine Shop)</td><td colspan="3">• Flexible Event Space, for events such as festivals, farmers markets, museum exhibitions, music,
film production, family and community events, and corporate gatherings.</td></tr>
<tr><td></td><td>• Mixed employment space (110,000 square feet) built as "buildings within buildings"</td><td>• Mixed employment space (216,000 square feet) built as "buildings within buildings"</td></tr>
<tr><td rowspan="3">South</td><td colspan="2">• Parking lots (surface parking)
to support uses throughout site</td><td>• Parking structure & lots to support uses throughout site</td></tr>
<tr><td colspan="3">• Park, open space, and stormwater management (combined where possible); Park includes preserved/restored Turntable
• WHEELS Museum; adaptative reuse of Babbit Shop, Welding Shop, and other structures.
• New roads for access</td></tr>
<tr><td colspan="2">• Housing – 65 units approximately</td><td>• Housing – 160 units approximately</td></tr>
</table>

LCG views all the scenarios as ambitious, given the size of the site and the effort that will be required to renovate the building, make infrastructure and utility, and take other actions. With more than 200,000 square feet of mixed-employment and/or hotel space in the Boiler Shop and Machine Shop, Scenario 3 is very ambitious and would require the project to consistently capture 15 to 20 percent of net employment space absorption in downtown Albuquerque over the coming two decades. One or more major anchor employers, or rapid and sustained economic growth, might make scenario 3 achievable.

Figure 15. Development Scenarios: Plan View Summary



The purpose of these Development Scenarios is to test a range of inputs and outputs at the site, including infrastructure demand and costs, building renovation costs, real estate market support, site design issues, and the capacity to meet the adopted RY Principles and Goals.

Development Scenarios: Key Concepts

Key concepts related to the development scenarios are summarized below.

Phasing. The current site activity and momentum, visibility, and building sizes all suggest that the north should continue to be the first phase of redevelopment, and that development should be phased, generally from north to south.

North: The Front Door

The "front door" concept is summarized above in the Retail Market section. The north is the Rail Yard's "front door," for most who are approaching it, from downtown and Central Avenue. It is currently primarily occupied by a range of small and medium-size buildings and parking that serves these buildings. A range of activities is underway in the north, including the Rail Yards Market, a potential CNM tenancy, and a range of building and site improvements. LCG recommends that the following uses be sited in the north; additional descriptions can be found above:

- CNM Film Production Center of Excellence
- Market and artisan uses
- Retail, restaurant, and commercial uses
- "Mixed-Use multitenant" adaptive reuse
- Parking for the above uses and some uses in the Boiler Shop. Surface parking (Scenarios 1 and 2), and a mix of surface and structured parking (Scenario 3).

Center: Industrial Cathedrals

The Buildings. The center of the site is dominated by the Boiler Shop and Machine Shop. (The Boiler Shop could also be considered to be part of the north, since it is physically attached to the Tender Repair Shop, but due to its size, LCG includes it in the center.)

These are huge buildings: industrial cathedrals. The words people use to describe these buildings convey their uniqueness. They are authentic, gritty, rough, huge, historic, urban, industrial cathedrals, "instagrammable," and awe-inspiring.

At 58,000 square foot of floor area, the Boiler Shop is larger in size than all the buildings on the north section combined. The Machine Shop, at 165,000 square feet of floor area, is nearly three times the size, and contains 3.8 acres of enclosed floor space. The height and enclosed volume of these buildings also set them apart from those to the north. The volume means that the cost of heating, cooling, and otherwise conditioning the buildings, if they were fully occupied, would be enormous, particularly because the glass walls provide little insulation. The renovation costs of these buildings are also far greater than those to the north, since they have thousands of windows, each enclosed in asbestos caulking, which must be replaced, encased, or otherwise remediated.

Recent use of these Central buildings has been much more limited than the north, but has included filming and film production, and events such as concerts.

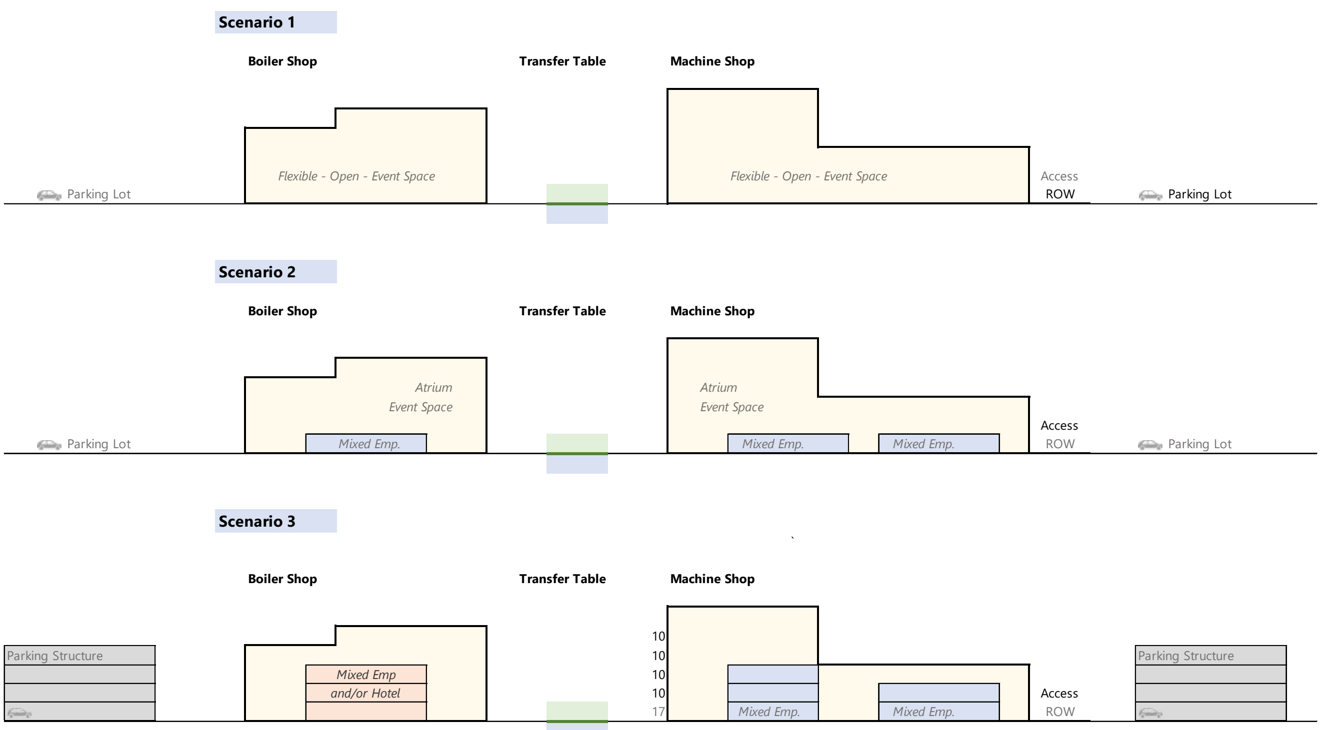
Recommended Uses. LCG recommends two primary types of uses for the Boiler Shop and Machine shop: first, interim uses that could most or all of the interior spaces; second, a series of buildings within buildings to be occupied by mixed-employment uses, and potentially other uses.

Interim Uses. The extent and cost to prepare the Boiler Shop and Machine Shop for such uses is expected to be lower than for a complete renovation. For example, while interim uses would require improvements to the roofs, windows, floors; and electrical, fire suppression, and lighting systems; they would not require entirely new structures, extensive tenant improvements, or HVAC/mechanical systems. A benefit of preparing the spaces for interim uses is that the buildings are one major step closer to being able to accommodate permanent occupancy. Interim uses could include.

- **Large events** such as festivals, farmers markets, museum exhibitions, and concerts (adjacent neighborhoods should be consulted about the latter due to noise); and smaller events such as weddings, family events, and corporate gatherings, which already take place at the Rail Yards.
- **Conventions,** in collaboration with the with Convention Center.
- **Film** productions.
- **Sports,** such as soccer, futsal, basketball, or tennis.
- **Art** exhibitions.

Buildings within Buildings: Mixed Employment. "Buildings within buildings" would be generally one to four story structures that would be built inside the Boiler Shop and Machine shop in Scenarios 2 and 3. Examples can be found in adaptive reuse projects (e.g., New Lab, Brooklyn, NY www.newlab.com), airports, and international train stations (e.g., Oslo Central Station and others where the interior volumes are large). There are numerous benefits to this approach. It retains large "atrium" areas for public visitation, events, etc. It manages the capital and operating costs, and energy required for space conditioning (i.e., HVAC which would not be required for the large-volume atrium spaces). The smaller buildings can be phased with market demand, and be built by private developers, generating revenue for the City via long-term ground leases (comparable to the Santa Fe Rail Yards model).

Figure 16. Development Scenarios: Central Sections Showing Buildings within Buildings



Mixed-employment users could include office, light industrial, makers space, flex, commercial, and other uses. Some examples of this type of space can be found in the Ford District, in Portland, Oregon and Granville Island, British Columbia. The specific uses and tenants should be allowed to evolve organically and be tenant-, market-, and developer-driven. However, some potential uses are:

- **Film** production, post-production, and office space that is thematically connected to CNM.
- Film **sound stages,** which require large-volume spaces.
- Employers within one of the region's **10 Economic Focus Areas:** Entrepreneurship; Science and Technology; Aviation and Aerospace; Information Technology; Manufacturing; Energy / Alternative Energy / Environmental Technologies; Hospitality and Tourism; Health and Social Services; Film / Arts and Entertainment; and Agriculture. (MRCOG, 2015).
- Office, light industrial, makers space, commercial.
- **Co-working,** a fast-expanding type of employment space that thematically could be a good fit for the Rail Yards.
- Large-format light industrial space, with a requirement for high ceilings.
- Other tenants now considering moves to other large-volume spaces such as vacant big-box retail spaces, large industrial buildings, and airport hangars.

Buildings within buildings example: New Lab, Brooklyn, New York.

- A modest share (5 to 20%) of **commercial space,** which could include retail, restaurants, food and beverage, fitness, etc. Note, however, that these uses may not be allowed by the 2014 Master Plan development standards.

Other Potential Uses. Among the other uses that have been contemplated for the Boiler and Machine shops are urban housing and a hotel. These uses may be viable. However, as described to some degree above, LCG believes that it would be more costly and challenging to adapt these buildings for residential and lodging uses. The rough quality of the space would need more improvements overall: young employees across the country have shown a greater willingness to occupy quasi-industrial conditions than hotel guests, for example. In addition, LCG's understanding is that the International Building Code (IBC) introduces more fire and life-safety requirements for overnight uses (e.g., direct access of fire trucks to all residential and hotel rooms), which would also be more costly to accommodate.

South: Services, Open Space, and Housing

At 12.7 acres in size, the South section (south of the Machine Shop) comprises about 50 percent of the Rail Yards area. Unlike the Center and North, most of this area does not contain existing historic buildings (the floor area ratio (FAR) is 0.07). BNSF recently vacated their easement on the south, which will allow for significantly more redevelopment potential on the south. There are, however, a number of conditions that limit or shape reuse possibilities: a range of medium-size existing buildings (Storehouse, Welding Shop, etc.), and a large (railcar) Turntable, and an easement held by the BNSF railroad organization on this

City-owned land. BNSF recently vacated their easement on the south, The Storehouse building limits the locations where the site can access 2nd Street, and the Welding Shop, South Washrooms, and Crane limit direct access to the interior of the Machine Shop. In addition, the site is required to accommodate 30 unit of affordable housing in the future, upon redevelopment.

Recommended Uses. Based on these conditions, and the demands of the North and Center of the site, LCG recommends that the South section provide space for the following:

- **Mixed-income Housing** (affordable, workforce, and potentially market-rate), to be located near the southern end of the site and near 2nd Street. As stated above, numerous potentially comparable residential and mixed-use projects have been completed in central Albuquerque in the last decade. In Scenarios 1 and 2, 3.5 acres of land is available for housing development after other required uses (parking, roads, stormwater management, etc.) are accounted for. At densities comparable to the Sawmill (18 units per acre), this provides 65 housing units. In Scenario 3, 4.7 acres of land is available for housing development. At densities comparable to the Casitas de Colores (34 units per acre), this provides 160 housing units.
- **The WHEELS museum. (**Note, however, that LCG believes that the WHEELS museum could also be relocated to the center or north parts of the site in order to be more integrated with other active uses, particularly it if is able to significantly expand its operating hours.)
- **Park(s) and open spaces.** The rail turntable should be preserved and restored as an open space focal point in all scenarios, as indicated above.
- **Parking** (surface lots or structures) to serve the uses on the North and Central parts of the site.
- **Roadways and multimodal access** (auto, pedestrian, bicycle, etc.) and circulation.
- **Stormwater retention** and/or treatment, via ponds, engineered wetlands, or other facilities, which will be required due to redevelopment to the north;

Summary of Findings and Recommendations

A summary of LCG's findings and recommendations is shown below. This summarizes both the market analysis and development scenarios.

General / Miscellaneous	• Create an interesting, active, unique, gritty, mixed-use place. • Bring *CNM Center* for Film Production to the site as an anchor use and magnet for additional tenants and investment. • *Phasing:* Focus near-term redevelopment efforts in the north, and move to center and south over time. • Offer *flexible event space* in the northern and central buildings, which can accommodate festivals, farmers markets, museum exhibitions, and concerts, community and corporate events. There is potential for up to 220,000 square feet of flexible event space. • The large southern part of the site can accommodate *parks and open space, adaptive reuse of the turntable, stormwater retention,* and parking (covered below).
Mixed Employment	• Define employment broadly to include office, light industrial, makers space, co-working, flex, educational, public, and other. • 50,000 to 60,000 square feet of employment space is a reasonable target for construction and absorption over 10 years, in north and central buildings, based on a 10 percent capture rate of absorption in the Downtown Submarket, and a stronger market over the last five years. Over 20 years, this target can double. The target can increase with the attraction of major tenants. • Some employment space can be built as "buildings within buildings" inside the Machine and Boiler Shops. • Rents are likely to vary considerably based on the interior and exterior building finishes and amenities. Some of the space could compete directly with the high-end of downtown submarket office space, at rents of $20 or more per square foot gross. Other space might have simpler finishes and compete with the downtown submarket office average of $17.50 per square foot gross; yet other space may be more basic and rent near the downtown industrial submarket average of $5.90 per square foot.
Retail / Active Ground Floor Uses	• LCG recommends a target of 10,000 to 20,000 square feet of retail and "active ground floor space" in the next decade. • The following types of retail businesses should be targeted: Food and beverage, such as restaurants, a food hall, food trucks, and prepared foods and produce vendors associated with the Rail Yards Market; small, local vendors that build on the Rail Yards' unique, historic, and gritty character; businesses that are already located in the Barelas, South Broadway, San Jose, or Downtown districts and are seeking to expand or site a second location; vendors that reflect the themes of

	the site, for example, film or rail travel; potentially, other "active ground floor tenants" drawn from the "thriving" list above, such as healthcare or fitness. • Remember that, in place making, quality of ground floor tenants is often more important than quantity. For example, a few great small restaurants—comprising less than 3,000 square feet in total—can create a unique and memorable place. • These uses should be clustered at the Rail Yard's "front door," near the northwest of the site.
Housing	• Housing—including market rate and affordable apartments, and owner-occupied houses and condominiums—has been the strongest market in Central Albuquerque over the last decade: Far more square feet of housing has been built than office, retail, and hotel space combined. LCG expects demand for housing to continue in Central Albuquerque. • Development of 100 to 200 units of housing on the site over 10 years is reasonable. This absorption would be comparable to that at the Sawmill, which has seen about 360 units built over two decades, or 180 units per decade. • A majority (50% or more) of these units should be affordable and available to households earning between 30 and 80% of area median income. Some units may be market rate, serving households at 80%+ AMI. The unit • Housing that is between 18 units per acre (similar to the Sawmill Community) and 34 units per acre (Casitas del Colores) will be most compatible with surrounding housing. • Most housing should be located in the south of the site. Another potential location for housing development is off-site, on Santa Fe Avenue, west of the Machine Shop and Transfer Table.
Hotel	• Albuquerque's existing hotels, new hotels, and recent renovations are clustered north of Central Avenue, near major tourism draws, employment concentrations, and transportation routes. • Hotels are often a "following use," rather than a first-in land use. In other words, they follow on when the employment, retail, public open space, housing, tourism, and/or other land uses are successfully established. • Because the Rail Yards is a long-term project, the pace of hotel development and reinvestment between 2008 and 2018 appears encouraging. Since Central Albuquerque added a new hotel about every 18 months, it is reasonable to concluded that the Rail Yards could accommodate a hotel—if other uses are successful added first, if the site realizes is vibrant mixed-use potential, and if the hotel can find the right location on site. LCG believes if a hotel is added to the site it would come in later phase and not within the first five years.
Parking	• Parking for the north can largely be provided in the north (230 or more spaces on the surface, or in a structure); the large south area can park uses in the center

	and south (370 or more spaces, depending on the size of surface lots or structure.) • LCG's assessment is that the uses shown in the above scenarios can be parked in about 720 or fewer parking spaces. This figure is based on the premise that the major uses on site—mixed employment and event space—can "share" parking, as provided by the Integrated Development Ordinance (IDO). For example, a given set of spaces could be used by employees during weekdays, and then by event attendees during evenings and weekends. Shared parking is an established best practice for the development of mixed-use places. It can help reduce the high cost of structured parking, and the large site areas required for surface parking. This figure does not include parking for housing units, which would be accommodated in the housing land/projects.

Financial Analysis

Site Development Costs

Figure 17 below shows a summary of preliminary order-of-magnitude (ROM) costs that have been estimated for the entire Rail Yards site and some limited adjacent improvements, such as new traffic signals on 2nd Street. These costs reflect the Scenarios shown above and cover a variety of infrastructure and site preparation improvements that tend to be paid for by cities, other public sector agencies, and in some cases, master developers. As a conservative starting point, LCG recommends viewing these as costs that are likely to be borne by the City. These costs associated with "horizontal" development (site preparation, transportation, utilities) will be necessary in order to set the stage for "vertical" development (i.e., building improvements and new building construction, which are not shown).

Preliminary cost estimates shown below were provided by Stantec, Inc. These are rough, preliminary figures, consistent with the fact that the design of site improvements and infrastructure are also preliminary. LCG recommends that the City conduct further cost estimation, particularly as part of a complete Property and Building Conditions Assessment (PBCA) as soon as possible in order to test and modify these figures.

The site development cost model includes a low- and high-end estimate. The low-end estimate is based on several recently completed or bid site improvement projects; the high-end uses a risk factor (of 20 to 3,000%) to account for the fact that conditions at the Rail Yards could be worse than anticipated. The low-end estimate is used in this report because these are expected to be more consistent with actual costs. The costs shown below include soft costs (design, engineering, permitting, environmental, geotechnical, contractor overhead) that are 39% of hard (construction costs), and a 10% contingency. LCG recommends that the City plan for and use a contingency of 30% or more based on the preliminary nature of these figures, until a PBCA is complete. The costs shown below reflect the "low" end estimates, since LCG's assessment is that these are a more likely to reflect actual costs. However, this assumption should be tested through a PBCA. Additional cost estimate details, including low and high estimates, are shown in the Appendices.

Figure 17. Rough Order of Magnitude (ROM) Costs of Site Development

	Scenario 1	Scenario 2	Scenario 3
Capital / One Time			
Costs	**Scenario 1**	**Scenario 2**	**Scenario 3**
Site Development and Infrastructure			
General Site	$4,461,916	$4,461,916	$4,461,916
Drainage	$1,026,367	$1,026,367	$1,026,367
Water	$1,211,630	$1,211,630	$1,211,630
Sewer	$1,897,567	$1,897,567	$1,897,567
Electrical / Joint Utility	$3,304,836	$3,304,836	$3,304,836
Striping & Signage	$89,383	$89,383	$89,383
Retention Basin	$257,600	$257,600	$257,600
Landscaping	$1,914,667	$1,914,667	$1,914,667
Other			
Environmental	$3,600,000	$3,600,000	$3,600,000
Site Prep and Demo	$500,000	$500,000	$500,000
BS & MS Roof repair	$5,000,000	$5,000,000	$5,000,000
BS & MS Windows ACM	$900,000	$900,000	$900,000
Structured Parking	$0	$0	$14,537,470
Parks, Plazas, Open Space	$4,000,000	$4,000,000	$4,000,000
Subtotal	$14,000,000	$14,000,000	$28,537,470
Hard Cost Subtotal	$28,163,965	$28,163,965	$42,701,435
Soft Cost and Contingency	$14,045,343	$14,045,343	$19,352,043
Subtotal	**$42,209,308**	**$42,209,308**	**$62,053,478**
Boiler Shop and Machine Shop			
Structural Retrofit	TBD	TBD	TBD
Foundation Retrofit	TBD	TBD	TBD
Floor Resurfacing	TBD	TBD	TBD
Other Building Improvements			
Building Renovations	$7,124,180	$7,124,180	$7,124,180
Building within Buildings	$0	$4,738,043	$9,268,196
Contingency	$712,418	$1,186,222	$1,639,238
Subtotal	**$7,836,598**	**$13,048,446**	**$18,031,614**
Other TBD	$0	$0	$0
Total Uses	**$50,045,907**	**$55,257,754**	**$80,085,092**

Sources: Stantec, Inc., Leland Consulting Group, City of Albuquerque.
Stantec note: These Rough Order of Magnitude figures have been shared with the City of Albuquerque and the design and construction values can inform the Rail Yards project in the City of Albuquerque. This Preliminary ROM carries no risk or liability in any way by Stantec. Use of these values or this model is at the sole risk of the user. Stantec makes no representation and makes no warranty or assurance of any kind regarding accuracy, use, and value. Values expressed herein may differ and may change significantly at order of magnitude levels from the currently stated values and should be used only as a general informational guide with this understanding and the significant limitations.

Not included. A number of improvements are not included in the estimates above, because the team was not able to conduct an adequate level of diagnosis, inspection, testing, or design. These improvements include but are not limited to: potential *structural retrofits*, specifically to the Boiler Shop and Tender Repair Shop, where evidence of past fire(s) were observed, which could affect the structure of both buildings; *foundation retrofit* and *floor resurfacing* in the Boiler Shop and Machine Shop; a *rail under- or over-crossing* that would connect the site across the rail lines to the South Broadway neighborhood to the east; and any *major public transit or passenger rail stations*. The structural retrofit, foundation retrofit, floor resurfacing, and rail crossings should be estimated as a part of the future PBCA.

Variable Costs. Other costs with a high degree of variability are the cost of roof repair for all structures (the team did not have access to the roofs) and structured parking; and to a lesser degree, the abatement of asbestos containing materials (ACM) in windows; other environmental remediation; and site design improvements such as open space and parks, whose cost will depend on design specifics. Some itemized estimates for major costs are shown in the Appendices.

Scenarios. At this high level, the estimated costs for Scenarios 1 and 2 are the same. This reflects the fact that a base level of infrastructure (e.g., water, sewer, electrical, stormwater), transportation, and other improvements will be necessary in order for reuse of the entire site. The primary difference between the first two Scenarios and Scenario 3 is structured parking, at a hard cost of approximately $14.4 million.

Other Building Improvements. This line item reflects recommended improvements to the buildings on the north and south parts of the site, which LCG proposes be completed via a combination of City/public-sector, and private sector/lessee efforts. The public sector costs shown above include improvements to building shells, including potential environmental remediation, some foundation improvements, and associated soft costs and contingency. A description of these building improvements and associated leasing structures begins on page 50.

Site Development Revenues

A summary of projected site development revenues is shown in Figure 18 below. These revenues would pay for capital (site development) costs. Operating revenues and expenses are shown in the next section.

The State of New Mexico recently pledged $7.5 million towards the Rail Yards project, indicative of the state-wide importance of this site. The City plans to dedicate $5.50 million in bond funding towards the Rail Yards, assuming passage of a city-wide bond package in late 2019. These amounts are assumed to be components of the overall funding shown below.

Most of the funding sources shown below, including the State and City funding described above, are subject to a political decision-making and allocation process; the Rail Yards site and vision will need to compete with other projects on the basis of its potential to advance the community’s economic development, equity and place making goals. Therefore, the allocations shown below for the City, LEDA, State, and philanthropic funding are LCG and City estimates based on conversations, and in some cases, evaluations of past grant making practices.

Figure 18. Site Development Revenues, Rail Yards

Revenues	Scenario 1	Scenario 2	Scenario 3
Identified Funding Sources			
Public and Public-Private Funding			
Tax Increment Development (TIDD)	$7,393,553	$16,090,347	$23,074,724
City, Other	$5,500,000	$5,500,000	$5,500,000
Local Economic Development (LEDA)	$5,000,000	$5,000,000	$5,000,000
State of New Mexico (Allocated 2019)	$7,500,000	$7,500,000	$7,500,000
State of New Mexico	$14,500,000	$14,500,000	$14,500,000
Historic Tax Credits	Incl. in buildings.	Incl. in buildings.	Incl. in buildings.
New Market Tax Credits (NMTC)	Incl. in buildings.	Incl. in buildings.	Incl. in buildings.
CNM and other Institutional	Incl. in buildings.	Incl. in buildings.	Incl. in buildings.
Federal: EDA (EPA, FRA, other also possible)	$1,200,000	$1,200,000	$1,200,000
Crowd Funding	TBD	TBD	TBD
Philanthropic Funds	$5,200,000	$5,200,000	$5,200,000
Impact Fee Reinvestment	$176,217	$282,370	$481,146
Subtotal	**$46,469,769**	**$55,272,717**	**$62,455,870**
Land Sales	$0	$0	$0
Total Sources	**$46,469,769**	**$55,272,717**	**$62,455,870**

Net Revenue			
Total Sources	$46,469,769	$55,272,717	$62,455,870
Total Uses	$50,045,907	$55,257,754	$80,085,092
Net Revenue	**($3,576,137)**	**$14,962**	**($17,629,222)**

Source: Leland Consulting Group, City of Albuquerque.

Tax Increment Development District (TIDD). LCG recommends that a TIDD be evaluated and likely formed for the Rail Yards site, potentially with some minor extensions into adjacent areas such as the 2nd Avenue right of way.

A TIDD is a funding tool that applies to a defined geographical area. A TIDD is formed by either project proponents or the local municipality, and then approved by at least 50 percent of the property owners within the affected area, and the local municipality. Within the defined area, most new gross receipts tax (GRT) and property tax receipts are collected by a TIDD fund, to be spent on infrastructure in the district, rather than going to other existing jurisdictions such as the city, county, and state. The typical rationales for tax increment financing are that a) the TIDD funds are necessary to jump-start economic development and business investment in the district, and b) "but for" the TIDD district, a much smaller (or no) private investment would take place, and therefore the GRT and property tax would not be generated. The intent is to create a virtuous cycle, in which the reinvestment of public funds incentivizes private investment that would not otherwise occur. There is a compelling case for TIDD at the Rail Yards given the extent of necessary improvements, without which employment, commercial, and housing development are unlikely to occur.

Because of the requirement that at least 50 percent of property owners must approve of the district, most TIDDs have been formed where few property owners control large areas. Examples include TIDDs at Mesa del Sol and Winrock Town Center in Albuquerque. No TIDDs have been formed in downtown Albuquerque or other highly urban areas of the city. One of the few urban, multi-property-owner TIDDs is in Downtown Las Cruces.

Revenue for a Rail Yards TIDD would be generated by the following sources:

- GRT generated by the hard cost of site development improvements shown above
- GRT generated by the hard cost of "vertical development," i.e., other parties completing building renovations, housing development, or buildings-within-buildings on the site;
- GRT generated by operating businesses
- GRT generated by utility services provided to the site; and,
- Property taxes assessed on privately-owned real estate.

An effective GRT rate of 5.609% has been used to estimate Rail Yards TIDD receipts. Since the City's current rate is 7.875%, this means that considerable GRT revenue (2.266% of proceeds) that would not otherwise occur would still be directed back to the City, County, and State.

LCG projects TIDD receipts of $8.2 to $23.3 million, depending on the Scenario pursued and amount of private development on the site. Additional TIDD calculations are shown in the appendix.

Impact Fee Reinvestment. Some jurisdictions allow impact fees (in this case, road and parks/open space/trail impact fees) to be reinvested on-site. Impact fees are paid by third-party developers to compensate the public sector for the cost of public improvements. In this case, impact fees generated could be collected and reinvested in the projects defined above. The amount of impact fees that would be generated and collected here is small compared to the costs—about $176,000 to $480,000. LCG assumes that fire and police impact fees would not be collected and reinvested in the Rail Yards, i.e., they would go towards other projects city-wide.

Historic Tax Credits (HTC). LCG's assessment is that private and non-profit developers who invest in individual buildings should be able to secure Historic Tax Credits for many of their investments on the site. The Rail Yards is recognized on the National Register of Historic Places, and 15 of 18 buildings are considered to be "contributing" structures. Historic tax credits can be applied for and secured by entities that lead the renovation and redevelopment of contributing historic buildings on the site, in an amount up to 20% of building-related "qualified rehabilitation expenditures" (QREs). Qualified expenditures include a wide variety of improvements to walls, floors, ceilings, windows, doors, air conditioning/heating systems, kitchen, cabinets and appliances, and more. Effectively, this can reduce a developer's cost by about 15% (tax credits cannot usually be redeemed for full value) and is therefore a significant development incentive. HTC's will not, however, help pay for the *site development* costs shown above.

New Market Tax Credits (NMTC). LCG's assessment is that the City in partnership with a Community Development Corporation (CDC), Community Development Entity (CDE), and other partners—may be able to attract New Market Tax Credits to the site. The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities. Via NMTC, individual and corporate investors can receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The NMTC Program has supported a wide range of businesses including manufacturing, food, retail, housing, health, technology, energy, education, and childcare, which generate broad community benefits. The Rail Yards is located in a "NMTC Qualified, Severely Distressed" census tract, meaning that NMTC investments can be made there.

The ideal project size (total project cost) for a NMTC investment is about $15 to $20 million. While the financing behind a NMTC investment is complex, NMTC effectively provides a subsidy of about 20% of total project cost, or $3 to $4 million. This means that projects—such as building renovations that provide mixed-employment space and support local family wage jobs—whose costs are too high due to high building renovation costs or low lease rates (for example), can be made feasible via NMTC investments. A project that included redevelopment of the Tender Repair Shop, Blacksmith Shop, or Boiler Shop could be a good scale for an NMTC investment. However, because NMTCs will not help pay for the *site development* costs shown above, they are not shown as contributing funds to the Rail Yards project. LCG recommends that the City actively seek to connect NMTC and HTC with third-party building developers; more details are described below.

Federal Funds. The City is actively pursuing $1.2 million in grant funds from the U.S. Economic Development Administration (EDA) that would go towards utilities and other infrastructure. LCG recommends that the City and its partners continue to seek other funds from other federal agencies such as the Federal Railroad Administration (FRA), Environmental Protection Agency (EPA), and/or other federal agencies that could be a fit at the Rail Yards.

Funding Gap and Additional Potential Funding Sources. Scenarios 1 and 3 show a funding gap, because identified funding sources are less than the current cost estimates for site development and building improvements. Scenario 2 has a small funding surplus because costs are lower than Scenario 3 (there are no large parking structures in Scenario 2), while revenues are higher than Scenario 1 (there is more private development, which generates more leasing revenue and TIDD).

LCG and the City of Albuquerque have identified the following potential gap-funding sources:

- Increased capital outlay by the State of New Mexico.
- Additional LEDA funds.
- City GRT revenues, either via a bond or set aside from annual revenues. GRT is the City's largest source of general revenue, and generated about $338 million for the City in the 2018 fiscal year. The City of Santa Fe contributed $23 million in GRT receipts to the Santa Fe Rail Yards, which is being paid back by lease revenue from that project. The following are particular opportunities:
    - A share of existing GRT increment, particularly as GRT revenue captures internet sales and therefore increases over time.
    - A share of new increment (tax increase), which could be approved either by City Council, or at Council's discretion, could be referred to a public vote.
- A tourism-based tax such as a lodgers tax or rental car fee or tax; these are being reviewed by the City.
- A district-wide TIDD that includes other parts of downtown. However, LCG believes this could add significant time and complexity to the Rail Yards project, as a larger district will require a vote of property owners within the defined area, a more extensive public conversation, and allocation of funds to projects not located in the Rail Yards.
- Crowd Funding is a new and still rarely used source of funding for redevelopment projects. For the Rail Yards, crowd funding sources such as Kickstarter, Fundrise, and Crowdstreet would likely pay for a

very modest share of overall costs. Nonetheless, crowd funding has recently helped to fund hospitality and office projects in the Pacific Northwest, and should be on the City's radar. Just as important as the actual dollars raised, crowd funding can generate popular support and a sense of community ownership.

Opportunity Zones. The Rail Yards is not located in a qualified Opportunity Zone, and therefore investments in the Rail Yards unfortunately cannot qualify for the associated tax incentives. Opportunity Zones are listed here for the sake of completeness and because private investors will likely ask about the Opportunity Zone status.

Operating Expenses and Revenues

LCG's estimate of operating expenses and revenues is shown below. Operating expense estimates are based on the current expenses for the Santa Fe Railyards (at 50 acres and more than 450,000 square feet of development, comparable in scale to the Albuquerque Rail Yards) and LCG's experience. The Santa Fe Rail Yards Community Corporation currently employs 3 full time and 1 part time staff. The proposed maintenance and repairs budget is three times the Santa Fe budget.

Figure 19. Operating Expense and Revenue Estimate at Build Out

	Scenario 1	Scenario 2	Scenario 3
Operating Expenses			
Payroll	$385,000	$385,000	$385,000
Maintenance and Repairs	$375,000	$375,000	$375,000
Park Maintenance	$30,000	$30,000	$30,000
Debt Service	$0	$0	$0
Total	**$790,000**	**$790,000**	**$790,000**
Operating Revenue			
Lease Revenue	$421,808	$568,597	$664,253
Common Area Maintenance (CAM) Charge	$21,090	$28,430	$33,213
Temporary Uses: Events, Film Production, Other	$120,000	$120,000	$120,000
Parking Revenue	Incl. in leases	Incl. in leases	Incl. in leases
Foundation, Corporate, and Other Contributions	$100,000	$100,000	$100,000
Reimbursement for Park Maintenance, CABQ	$30,000	$30,000	$30,000
Total	**$692,899**	**$847,027**	**$947,466**
Net Revenue			
Operating Revenue	$692,899	$847,027	$947,466
Operating Expenses	$790,000	$790,000	$790,000
Net Revenue	**($97,101)**	**$57,027**	**$157,466**

Source: Leland Consulting Group, Santa Fe Railyards Community Corporation.

Net Revenue. In Scenario 1, revenues do not cover expenditures and there is an annual shortfall. Scenarios 2 and 3 show a positive net revenue. However, these figures, like the site development costs and revenues, should be refined and adjusted in the coming years. Maintenance of the large site with so many old buildings is a particularly difficult number to estimate, and should be benchmarked against other historic properties if possible.

Long-Term Land and Building Leases

The primary source of operating revenue in LCG's financial model is long-term leases, from the lessor (site owner, City of Albuquerque, Community Development Corporation, master developer, or other) to lessees (third-party tenants or developers). LCG assumes that both existing buildings and land will be conveyed via long-term leases, which may be referred to as "land leases," "ground leases," or "long-term building leases." This is a lease arrangement wherein the lessor retains ownership of the underlying land, and the lessee assumes control and title of any above ground structures (whether existing or new), usually for a period of 50 to 99 years; extensions are possible. The term should be 50 years or more in order to incentivize lessees to make major improvements in structures, and so that lessees can secure loans against the value of their buildings. Ground leases have been used in the Santa Fe Railyards, Rockwood Rising (another project reviewed during this process), and many other public-private and private developments. Ground leases are used extensively by west coast Ports and airports, who often lease land on a long-term basis; by community land trusts; and by major property owners in Hawaii, who are in a strong position to dictate terms to developers.

Leasing land is advantageous for a number of reasons. Land ownership stays with the City or other public owner, and in the long term, building ownership can revert to the public. It generates revenue. Third, land leases can bring experienced private and non-profit developers, building managers, and tenants into the project, who will invest their funds, create jobs, build housing, and generate the active, economically vibrant environment the community desires. Some developers prefer land leases to fee-simple ownership because they do not have to pay a large lump sum out-of-pocket for the land—they pay for it over time instead. Fourth, the buildings go onto the property tax rolls, and their renovation and operation generate GRT and property tax, and TIDD revenues. Finally, buildings owned by private and non-profit entities can attract Historic and New Market Tax Credits, whereas the City likely could not.

One significant drawback is that some developers and lenders dislike land leases because fee simple site ownership is the gold standard. By comparison, land leases are often perceived as "messy." They require legal expertise for all parties in order to prepare contracts that clearly delineate ownership and control rights, and lenders who are comfortable that they will be able to foreclose on valuable assets if the lessee defaults. Therefore, some developers will avoid land lease transactions. LCG's view, however, is that the benefits here outweigh the downsides.

Readers should distinguish between *long-term leases* for land and buildings—which will generate revenues for the City, CDC, or other site owner—and the "space leases" that individual building developers will execute with *tenants* for commercial (or residential) space.

Figure 20 below shows LCG's assumptions about what parts of the site are leased as existing buildings, and which are leased as land. We consider both building and land to be conveyed via "long-term land leases." As stated above, we assume that some (but not all) of the land within the Boiler Shop and Machine Shop will be leased for buildings within buildings. Figure #?

Figure 20. Buildings and Types of Leases

Building / Site Name	**Lease Type**
Firehouse, Waste & Paint Rooms	Existing Buildings
Tender Repair Shop	Existing Building
Flue Shop	Existing Building
Blacksmith Shop	Existing Building
Boiler Shop	Land, for buildings within buildings
Machine Shop	Land, for buildings within buildings
Storehouse	Existing Building
South Washroom, Welding Shop, Babbit Shop	Existing Buildings
Housing	Land, for new housing development
Total	

Land and Building Values. The valuation of the buildings and land at the Rail Yards site, and the resulting lease revenue streams, is complicated for a number of reasons.

First, we do not fully understand the extent or cost of necessary building renovations. We have assumed that investments will need to be made in foundations; shells including roofs and exteriors; interiors and tenant improvements; mechanical, electrical, and plumbing (MEP) systems; soft costs; as well as potentially other building components. However, a more detailed PBCA will need to shed light on the precise extent and cost of these improvements. Second, we assume that lessees will be required to lease some space at below-market rents to disadvantaged or local businesses. This is an important component of the proposed equitable development strategy; however, it also means that any lessees will generate less revenues via space leases and therefore have less cash to pay for upfront capital improvements and ongoing land leases. Third, building lessees will have rights to parking areas that in most cases is outside of the building or land they are formally leasing; therefore, the value of those surface or structured parking areas should be accounted for in the lease value.

Based on appraisals prepared for the City and LCG's review of land values, LCG assumes that most *"raw land"* (e.g., the land provided for buildings within buildings, and housing) is worth $9 per square foot. LCG assumes that *existing buildings* are valued at $21 per square foot of building footprint. This is a relatively low building value, and reflects LCG's assumption that both the City (or other public sector partners) and lessees will need to invest considerable sums in order to make the types of investments described above. Some of these investments can be offset by Historic Tax Credits (for existing buildings), New Market Tax Credits (for buildings within buildings or existing buildings), and/or other sources.

An annual lease rate of 8% is applied to all land and building values in order to calculate the lease payment. For example, the Flue Shop (8,878 square feet in size) is valued at $21 per square foot. This is multiplied by a parking adjustment of 1.8, which reflects the fact that for each 1,000 square feet of building area, the lessee will have access to about 800 square feet of parking area (two to three spaces, on average). The result (8,878 x $21 x 1.8 x 8%) is $27,083 per year. The lease would call for the tenant to make a "reasonable" share of necessary MEP, interiors, and tenant improvements; the City would ensure that the shell is in an acceptable condition, complete environmental remediation of the shell and surrounding grounds, and bring utilities to the building. In addition, we recommend that the City help lessees to take advantage of Historic Tax Credits, New Market Tax Credits, or both, in order to reduce their investment and encourage their participation in the Rail Yards project.

Two summary figures are shown below. Additional detailed analysis relating to the leases of land and buildings are shown in the appendices. Figure 21 shows the rough estimated cost per square foot of renovating the "smaller" existing buildings on the site (e.g., Tender Repair Shop; note that this is not intended to provide a per square foot estimate for the Boiler or Machine Shops, which will be addressed in a future PBCA). Figure 21 shows a cost division between the City and lessee which is intended to reduce the lessee's cost to a reasonable/acceptable amount. Figure 22 shows the estimated lease revenue to be generated by all land and buildings.

Figure 21. Existing Building Renovation Costs, including City and Developer Cost Shares

Construction Category		**Total** Est. Cost PSF	City/CDC (Lessor) Costs	Lessee/ Developer Costs
Site Work incl. Environmental		Incl. in ROM		
Hard Cost of Construction				
Foundation		$5	$5	
Shell, incl. Environmental		$37	$37	
Interiors		$21		$21
MEP		$53		$53
Subtotal		$116		$75
Tenant Improvements		$25		$25
Subtotal		$141	$42	$100
Soft Costs and Contingency	30%	$42	$12	$30
City Planning Contingency	20%	$8	$8	
Total		**$192**	**$62**	**$130**

Source: RS Means Construction Cost Data; Leland Consulting Group.

Figure 22. Land and Building Lease Summary, Scenario 2

Building / Site Name	**Lease Type**	**Site Area SF**	**Floor Area SF**	**Value PSF**	**Parking Adj.**	**Lease** Annual Rev.
Firehouse, Waste & Paint Rooms	Existing Buildings	98,216	5,520	$21	1.8	$16,839
Tender Repair Shop	Existing Building	19,529	35,152	$21	1.8	$107,233
Flue Shop	Existing Building	9,340	8,878	$21	1.8	$27,083
Blacksmith Shop	Existing Building	30,298	24,867	$21	1.8	$75,857
Boiler Shop	Land, for buildings within buildings	61,120	27,900	$9	1.8	$37,062
Machine Shop	Land, for buildings within buildings	142,747	82,600	$9	1.8	$109,726
Storehouse	Existing Building	63,582	18,900	$21	1.8	$57,655
South Washroom, Welding Shop, Babbit Shop	Existing Buildings	24,000	20,829	$16	1.8	$25,829
Housing	Land, for new housing development	154,600	0	$9	1.0	$111,312
Total		**603,432**	**224,646**			**$568,597**

Notes: The annual lease rate for all above lease is 8.0%. We assume that all housing development is parked within the 3.5 to 4.7-acre housing site shown in Figure 15.

Master Developer Return on Investment Calculation

Over the past decade, there has been interest in attracting a "master developer" to the Rail Yards site. This is reasonable, since there are many advantages to attracting a master developer to a public private partnership, some of which are covered in the following section. Any master developer would look at the Rail Yards through a financial or return-on-investment perspective, as well as other perspectives. For example, some master developers are very interested in legacy projects, equitable development, and other non-financial concerns.

Figure 23 shows LCG's assessment of how a master developer might look at redevelopment of the property. This is a high-level analysis, and other, more detailed, multi-year analyses might also be done. Assuming that a master developer took on all of the site development costs and revenues, and operating costs and revenues as shown above, they might earn about $66,000 annually on a $68.6 million investment (Scenario 2). This equates to a 0.1% annual return on cost. By contrast, this developer could earn between 2.5% and 3.5% per year by purchasing municipal bonds. Their target rate of return for a risky project like the Rail Yards might be 10%, meaning they would invest a maximum of $664,000 to earn $66,000 per year. Comparing net operating income to total costs as shown below is often a developer's "first cut" at understanding the underlying project economics.

While this project could be completed in numerous different ways, given the numbers we have now, it is difficult to see how a master developer could take on this project as envisioned without major public investment, on the order of $60 million or more.

Figure 23. Master Developer Return on Investment Analysis

	Scenario 1	Scenario 2	Scenario 3
Total Cost	$50,045,907	$55,257,754	$80,085,092
Net Operting Revenue	($97,101)	$57,027	$157,466
Return on Cost	-0.2%	0.1%	0.2%
Required Master Developer Investment (Funding Gap)	$3,576,137	($14,962)	$17,629,222
Net Operting Revenue	($97,101)	$57,027	$157,466
Return on Cost	-2.7%	-381.1%	0.9%
Net Operting Revenue	($97,101)	$57,027	$157,466
Target Return on Cost	10%	10%	10%
Maximum Developer Investment (Cost)	-	$570,265	$1,574,659
Required Public Investment	$50,045,907	$54,687,489	$78,510,433

Source: Leland Consulting Group.

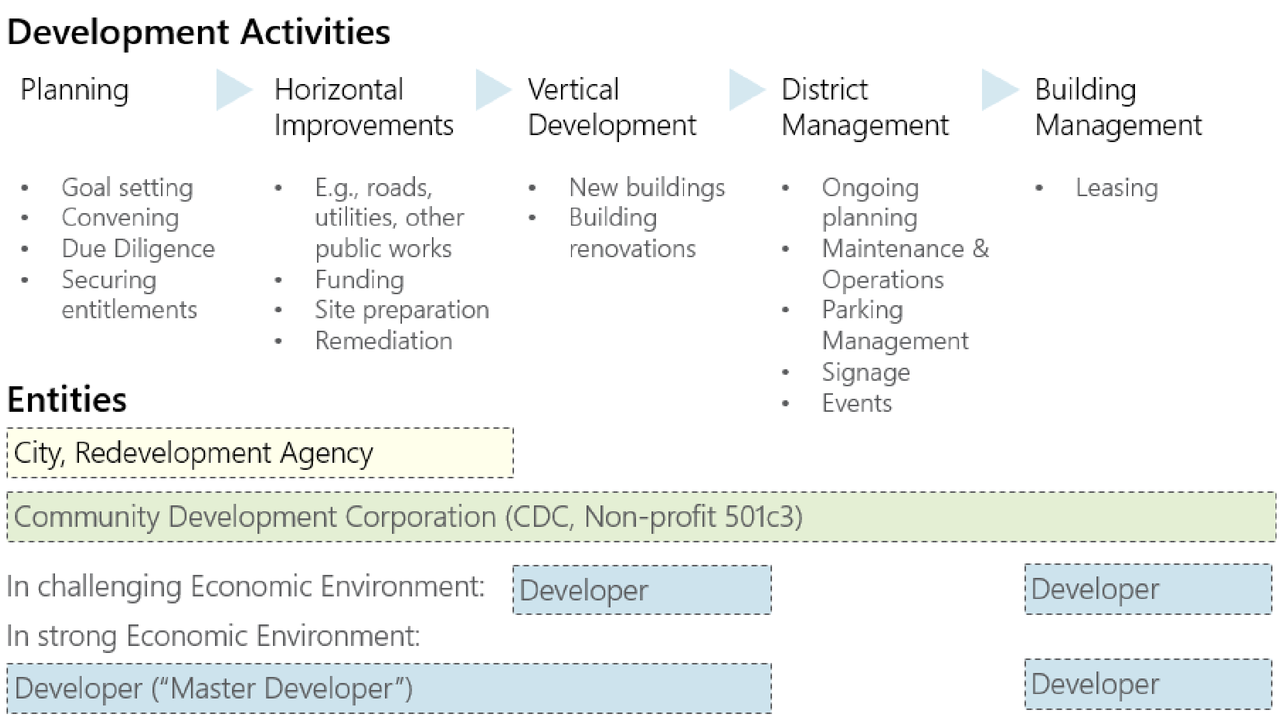
Implementation Pathways

The purpose of this section is to highlight how redevelopment of the Rail Yards might occur. "What" and "Who" are two key questions: What actions and activities need to take place in the coming years, and Who—what people and organizations—should carry them out?

Figure 24 below shows the types of activities that take place in most large-scale redevelopment projects (the activities are not specific to the Rail Yards), and the entities or organizations that typically carry out these activities. The activities are more or less sequential (although sometimes processes are iterative and loop back to earlier activities). So planning, goal setting, and due diligence (regarding the site, infrastructure, market, etc.) usually proceed improvements to horizontal improvements (roads and utilities), which are followed by vertical development. Once a large site or district is redeveloped, it ideally will be managed, by keeping it clean and safe, maintaining open spaces and infrastructure, managing parking and tenants, and hosting events. The buildings within the district must also be managed.

Cities. As shown below, cities are typically best at activities in the planning and horizontal improvements categories. Horizontal improvements are core to cities' expertise, via their public works, engineering, transportation, and utility departments; in many cases, utilities are also provided by related public utility districts. Cities have the staff, expertise, funding sources, and know how to complete these horizontal improvements. Cities also typically have planning and redevelopment expertise well suited to the planning activities shown below. It has been said that government should "steer, not row;" and steering—goal setting, and convening broad groups of stakeholders—often fall to government since there is no other entity charged with representing everyone's interest.

Figure 24. Development Activities and Entities



Cities have less expertise in building new commercial and residential buildings, managing districts, and managing buildings. (Cities do often oversee the construction of new public buildings such as libraries.) Some reasons are that, compared to other groups discussed below, they tend to be less nimble, slower to make decisions, subject to accusations of preference of one group over another, subject to extensive regulation, and can face challenges when trying to balance the need to generate revenue through leases (to cover construction and operations costs), with political pressures to provide space to tenants at below-market rates.

Community Development Corporations. Community Development Corporations (CDCs) are non-for-profit, 501c3 organizations. While their missions vary widely throughout the country, CDCs are often focused on the development of housing and commercial space for lower-income communities, neighborhood and district revitalization, and equitable economic development.

CDCs have an established track record of vertical development, district management, and building management, often in eclectic districts with a mix historic and new buildings, public open space, community-serving and market-rate development, which are public-private partnerships. Some examples of successful CDC's are:

- *Santa Fe Railyards Community Corporation* (SFRCC), Santa Fe, which has managed much of the infrastructure development, building and land leasing, and district management at the Santa Fe Railyards.
- *Stapleton Development Corporation* (SDC), Denver, which has managed various aspects of the redevelopment of a 4,700-acre former airport into a large mixed-use, mixed-income community.
- *Cincinnati Center City Development Corporation* (3CDC), which has been instrumental in the revitalization of the Over-The-Rhine neighborhood, via the development of affordable and market rate housing, and Findlay Public Market.

CDCs offer a compelling organizational model for district redevelopment for a number of reasons:

- They create a **focused organization** with a clearly defined goal (e.g., property or district redevelopment and economic development). Staffing, investments, and operating economics are all oriented towards achieving this goal, while unrelated issues are not prioritized. The executive director is solely focused on the defined goal, and maintaining the viability of the CDC. This clear mission, and the economic imperative to ensure that revenues will support operating expenses, motivates the staff and entire organization. It also insulates the CDC from the political influence to invest in infeasible ventures.
- **Board composition and community responsiveness.** Flexibility can include City/government appointees, other civic leaders, community members. Board may have voting members and advisory members (Stapleton model). CDC boards can be composed in many different ways, and can include representatives of the City (current property owner), other government agencies, community members, civic leaders, and business representatives. Any Rail Yards CDC (RYCDC0 board should include both representatives of the City and surrounding communities, so that it reflects and is responsive to community aspirations.
- **Pace.** CDC's can usually take action more swiftly and with less process than public entities. Boards or subcommittees can meet monthly, or even weekly. While CDCs can and should be responsive to

community goals, they are not necessarily subject to public procurement or open meetings regulations. This enables them, for example, to hire contractors or sign leases to tenants much more quickly—at a speed that is responsive to the expectations of private or non-profit tenants.

- **Track record.** CDCs have a track record of operating, maintaining, and improving properties and districts with multiple buildings. Therefore, staff and boards can draw on professional associations and think tanks which have produced information about best practices.
- **Funding.** CDCs can access funds that are either difficult or impossible for cities to access, such as: philanthropic, personal, corporate, foundation, and other contributions; private equity and debt; NMTC or Community Development Financial Institution (CDFI) funds. CDCs can be joint venture partners in building development or renovation, via an LLC, with a CDFI for example. They can also manage funds that would be generated by public agencies, for example, TIDD or GRT funds, via an agreement with the City or State. (CDCs, cannot however, levy GRT or other taxes.)
- Can reduce the City's liability at the Rail Yards.

While they do have a compelling track record, CDCs are not a panacea for district development. They do not make the challenges of design, funding, decision making, construction, and management disappear. However, given the advantages listed above, they are a compelling organizational way to tackle many aspects of public-private, mix-use, district development.

Public Development Authorities (PDA) are also an alternative structure to implement large projects that have significant public benefits and long build out horizons. Unlike a CDC, a Public Development Authority has more governmental oversight. Below are two examples of projects implemented by a PDA:

- *Pike Place Market Preservation and Development Authority* (PDA), Seattle, which manages a vibrant, historic, 9-acre community of hundreds of farmers, craftspeople, small businesses and residents. The roles and responsibilities of the PDA overlap with the Pike Place Market Foundation, a CDC, demonstrating that both entities can play active roles in the same project.
- *Santa Monica Pier Corporation* (SMPC), Santa Monica, which has managed the restoration, events, and maintenance for the 100+-year-old pier, a major tourist destination that extends over the Pacific Ocean.

Many states have broad Public Development Authority legislation that allow a municipality to create a public-purpose Public Development Authority. An existing State of New Mexico Public Development Authority structure could be applied to the Rail Yards: the New Mexico Exposition Center Authority. This structure was authorized in 2005 to oversee the redevelopment of the Rail Yards when it was owned by Urban Council. The Authority would be an entity of government, with a statewide board, and ability to bond against revenues. However, LCG's understanding is that such a PDA would be subject to public procurement regulations, which CDCs are typically not subject to. In addition, a PDA would be subject to the New Mexico Open Meetings Act. While redevelopment of the Rail Yards must be a transparent process, development actions will need to be made expeditiously, and lessees and tenants are accustomed to conducting lease negotiations that are not entirely public. The CDC structure is advantageous in both regards. While board meetings would be open to the public, a CDC would not be subject to public procurement regulations or the open meetings act.

Developers. As shown in Figure 24, developers' interest in the early stages of development—planning and horizontal improvements—varies depending on the strength of the local market and economic environment. This is because these early stages of development are time consuming (they can take years) and risky because there is often no guarantee that developers will be able to generate revenue. These long timelines are costly for developers because of the necessary investment in staff time, studies and professional services, and because of the opportunity cost—they could be developing elsewhere.

The role of a "master developer" can be distinguished from just a "developer" by the former's role in planning and horizontal improvements. Master developers are usually involved in these early stages, and then tend to sell of some of the "pads" (land or buildings served by roads and utilities) to site developers. This process is also called "land development" (as opposed to building development).

Taking on the role of master developer is risky, especially in challenging markets. At the Rail Yards, LCG believes developers will be more interested in taking on the more familiar and comparatively lower-risk tasks of vertical development (building renovations and new construction) and managing those buildings. The conceptual framework shown in Figure 24 is borne out by the financial analysis shown in the previous section of this report.

This narrower site development role can still benefit the Rail Yards project. Developers (which can be for-profit or non-for-profit entities) have skill, experience, and expertise in financial analysis and other types of due diligence, securing necessary capital, construction management, and building management, all of which will be needed at the Rail Yards. Naturally, developers are also profit oriented. The City, any CDC, and other stakeholders will need to create the right environment and agreements (e.g., leases) that provide guidance to developers about what public benefits and equitable outcomes are expected in exchange for the right to develop at the Rail Yards.

Case Studies: Implementation Lessons from Other Projects

Figure 25 summarizes the roles and responsibilities of different entities for four "case study" projects that were reviewed during the Rail Yards Redevelopment Evaluation. The Santa Fe and Sacramento Railyards projects were chosen because of their natural similarity to the Albuquerque Rail Yards. Rockwood Rising is an ambitious mixed-use project in Gresham, Oregon (a Portland suburb) whose goal is economic development, job generation, and community uplift in one of the most economically disadvantaged census tracts in the Pacific Northwest. We were attracted to Stapleton due because of the national recognition it has received, size and scale, and numerous overlapping implementing entities: the City of Denver, Denver tax increment financing agency, federal agencies, a CDC, new special district, and homeowners association, have been involved. While all of these projects are nuanced and complex, a few takeaways from this work are:

- **There is no single, right way** to complete a large-scale, mixed-use, public-private redevelopment project. This has been done successfully in different ways, in different places.
- **Cities** played an important role in all of these projects.
- In three of the projects, city-initiated **tax-increment financing districts** played a key role in helping to plan and fund the project (particularly horizontal improvements). The Santa Fe Railyards is the only project in which tax increment financing was not used; a share of city-wide GRT has been the financial source for property acquisition and infrastructure.

- **CDCs** have played a key role in two of the projects. The Stapleton Development Corporation (SDC) in Denver was instrumental in setting the vision, securing the land (formerly Stapleton Airport, owned by the FAA), establishing the deal structure with the selected master developer (via a Purchase and Sale Agreement), remediating contaminated land, convening stakeholders, and generally stewarding that project forward. The Santa Fe Railyards Community Corporation (SFRCC) has been critical to infrastructure build out, leasing of buildable sites and existing buildings, and district management (it did not lead the early vision and master planning efforts).
- **Master Developers** played a key role in three of the four projects; the exception is Santa Fe Railyards. In most cases, there were also additional, third-party site developers. Master developers went on to sell or lease land or buildings to site developers.

Figure 25. Roles and Responsibilities for Case Study Projects

Project:	Rockwood Rising	Sacramento Railyards	Santa Fe Railyards	Stapleton
Lead City Agency				
Redevelopment Agency w/TIDD	**Gresham Redevelopment Commission (GRDC)**	**Redevelopment Agency, City of Sacramento**		Denver Urban Renewal Authority (DURA)
Other		**City of Sacramento, Economic Dev'ment**	City of Santa Fe (planning lead)	
Special District				Park Creek Metro
CDC/Nonprofit	-		**SFRCC** (implementation lead)	**Stapleton Development Corp.**
			Railyard Park Conservancy	
Developers				
Master Developer	**RKM Development (Rockwood Rising LLC)**	**Downtown Railyard Venture (LDK)**	X	**Forest City / Brookfield**
Site Developers: Ground Up Dev.	X	✔	✔	✔
Site Developers: Building Renovation	X	TBD	✔	X
Homeowners Assn.	X	TBD	X	Master Community Assn.

Implementation Pathway	**A**		**B**	
	Led by City UR/TIDD Agency TIDD as key funding tool		**Led by CDC**	
			No TIDD	TIDD as key funding
	Master Developer			
	No site developers.	Site developers.	No Master Developer Site developers.	Master Developer Site Developers.

Pathways

Using the four case study projects above, LCG created two "implementation pathways. In the first, a master developer helps to lead creation of the project vision, controls/owns the site, works with the City to complete all needed site preparation and horizontal development, and then develops individual properties or works with site developers to do so. In the second implementation pathway, a CDC plays critical roles, including establishing the vision, overseeing horizontal development, and negotiating with developers. Some of the strengths and challenges of each pathway for the Rail Yards are shown below.

Pathway	**Master Developer** Examples: Rockwood; Sacramento RY	**Community Development Corporation** Examples: Santa Fe RY; Stapleton
Description	• Planning and infrastructure funding led by City UR/TIDD Agency • TIDD as key funding tool • Master Developer • Site Developers in some cases. (Or, master development may build all.)	• Planning led by City and/or CDC • TIDD as key funding tool • Infrastructure construction; district management led by CDC • No Master Developer • Site Developers
Strengths	• Market based; motivated decision maker • Cohesive vision and theme; ability to update tenant mix to keep up with changing consumer trends • An established and widely-used approach to public-private partnerships (PPPs) • Simpler deal structure, with two-party agreements (City and MD) • Some MD could be interested given unique nature of site ("never say never"); a Western or National search would be needed.	• Purpose-built, site- and community-focused: organizational imperative to succeed. • Insulated from politics: will continue beyond one administration • No profit requirement, though revenues must cover operating expenses. • Able to access additional funding sources such as NMTC. • Multiple site developers are likely a better fit given diversity of RY site, and challenging economics • Better able to implement equitable development goals and community needs. • Can act more swiftly and respond to opportunities than Cities.
Challenges	• Most Master Developers will not be interested in RY site due to challenging development economics (high site development costs, lower rents/sales price points, long build-	• Will need sufficient public funding to implement plan, via TIDD, GRT, or other capital sources.

	out horizon, environmental risk, political risk) • "All or nothing" approach: Without a MD agreement, little can happen. • Very limited pool of local, ABQ-based MDs. • Absence of Opportunity Zone will be a particular drawback for MD. • Perception that this model will not work given past RY experience. • Perception that community benefits would be difficult to secure. (Rockwood suggests otherwise.)	• Need to ensure staff have necessary skills. • Board needs to balance business acumen and community representation. • Need strong continued partnership with City

Action Plan

There is much work to be done in order to take the Rail Yards from its current state to the active, vibrant, economic, social, and cultural hub that the community envisions. This section attempts to define, prioritize, and categorize that work, with a focus on actions to be taken in the **near term (the next two years)** and **medium term (the next five years).** If the City and its partners can generate momentum and achieve results at the Rail Yards project during these time periods, there will certainly be more to do in the years beyond.

The focus of the action plan below is on actions that the City can take, since that is what the City has direct control over. However, we also identify areas where the City will need help and partnerships. Other parties that should be taking action in the coming years, and which are referenced below, include RYAB, CNM, a potential CDC, site developers and tenants, and potentially a master developer.

While big wins (such as bringing CNM to the site) will be important, the City should also appreciate the value of "singles and doubles." Incremental wins—getting on base—show visible momentum and a track record of accomplishment. They send the message to people that change is happening. Not everything needs to be a grand slam home run.

In some cases, different actions will be necessary in order to implement the Master Developer versus Community Development Corporation pathway. This is noted below. In the next two years, we do not see significant differences in these pathways. However, the pathways begin to diverge in years two through five.

Three tracks are shown below to reflect which City departments should lead different actions:

- **Development Partnership (Metropolitan Redevelopment Agency)**
- **Public Works (Department of Municipal Development)**
- **Equity (Office of Equity and Inclusion)**

Near Term Action Plan Summary (Next Two Years)

Detailed descriptions of these actions begin on page 62.

<table>
<tr><th>Pathway</th><th>Master Developer</th><th>Community Development Corporation</th></tr>
<tr><td>Public Works

(Department of Municipal Development)</td><td colspan="2">• Property and Building Conditions Assessment (PBCA) and Cost Estimates
• Continue Environmental Remediation
• Design and Break Ground on North End Infrastructure
• Repair or Replace Roofs</td></tr>
<tr><td>Development Partnerships

(Metropolitan Redevelopment Agency)</td><td colspan="2">• Put Staffing in Place to Execute Action Plan
• CNM Film Production Center of Excellence: Plan, Fund, and Negotiate Deal
• Refine North End Development Framework
• Establish TIDD District
• Refine the Rail Yards Marketing Message and Release Request for Expressions of Interest (RFEI)
• Amend the Rail Yards Master Plan
• Continue to Host Cultural Events
• Evaluate the need/opportunity for additional property acquisitions including the BN&SF property directly north and south of the Rail Yards
• Study the Formation of a Rail Yards Community Development Corporation (RYCDC)
• Prepare Building- and Ground-Lease Templates</td></tr>
<tr><td>Equity

(Office of Equity and Inclusion)</td><td colspan="2">• Implement Equitable Development and Neighborhood Stabilization Policies with a priority on:
    o Neighborhood Stabilization Funding and Programs
    o Commitments to using local workforce and local contractors
    o Community Capacity Building</td></tr>
</table>

Medium Term Actions Summary (Year 3-5)

Detailed descriptions of these actions begin on page 70.

<table>
<tr><th>Pathway</th><th>Master Developer</th><th>Community Development Corporation</th></tr>
<tr><td rowspan="2">Development Partnerships</td><td colspan="2">Celebrate Opening of CNM Film Center
Lease and Complete Renovations on North End Buildings</td></tr>
<tr><td>Market the Rail Yards and Recruit Master Developer
Complete City Roles and Responsibilities as defined in lease or other agreement</td><td>Transition Management of Property and Implementation to CDC
Refine Development Framework for the Center and South Areas of the Site</td></tr>
<tr><td>Public Works</td><td colspan="2">Complete Construction of North-End Infrastructure (PW)</td></tr>
<tr><td>Equity</td><td>Monitor and Enforce Master Lease / Community Benefit Agreements between City and Master Developer</td><td>Monitor and Enforce Master Agreement between City and CDC</td></tr>
</table>

Near Term Actions Detail: Next Two Years

- **Property and Building Conditions Assessment (PBCA) and Cost Estimates (Public Works)**
    - A PBCA should be initiated in 2019
    - Focuses should include:
        - Greatest detail on North end, then Center, then South. On the North end, this PBCA should provide building-by-building assessments of completed and needed improvements to site, environmental, structural, shell including roof, and building systems, with intent that such analyses could be provided to potential future building lessees/developers.
        - In the Center, the PBCA should provide additional information on the status of, and cost of making necessary improvements to the following: foundation retrofit, floor resurfacing, structural retrofit (particularly Boiler Shop and Machine Shop; potentially other structures), and roof repair.
        - Cost Estimates for improvements may be provided as a part of the PBCA, or during a follow-up phase of work conducted by the same contractor.

- **Continue Environmental Remediation (Public Works)**
    - The City should continue the remediation work that is now in process.
    - The City should secure No Further Action (NFA) letters, or other documentation from NMED that eliminates environmental risk to future building lessees, tenants, and/or developers.

- **Design and Break Ground on North End Infrastructure (Public Works)**
    - Using the outcomes of the North End Plan, begin the design and engineering of needed public realm, utilities, and other public infrastructure.

- **Repair or Replace Roofs (Public Works)**
    - Based on the findings of the PBCA, repair or replace the Boiler Shop and Machine Shop roofs.

- **Put Staffing in Place to Execute Action Plan**
    - Review this action plan and determine what staffing and funding allocations should be made by the City, and/or other organizations. LCG's view is that this work plan is likely to require that two senior staff continue to devote most of their time to Rail Yards efforts (real estate/planning, and public works). The City should invest in professional development for these staff as needed.

- **CNM Film Production Center of Excellence: Plan, Fund, Negotiate Deal, and Break Ground**
    - Support CNM in its marketing of, planning for, and passage of bond financing in late 2019. Support CNM in early-stage design and planning for the Film Center, so that voters can visualize the benefits of such a center.
    - Ensure that CNM is a key stakeholder in the North End planning process (described below).
    - Define specific ways that the CNM center will generate community benefits, particularly for economic prosperity and workforce development. For example, determine how the center can create ladders of career opportunity for residents in surrounding neighborhoods.
    - Collaborate with the CNM on Rail Yards Marketing and Request for Expressions of Interest (RFEI) task (described below). As an anchor institution with creativity, capital, campus

development experience, and a clear connection to one of the state's growing industry clusters (film), CNM can collaborate with the City to attract additional film production, arts, and digital arts tenants.
    - Develop a Memorandum of Understanding (MOU), letter of intent, or other preliminary summary of proposed deal points between the City and CNM. This should outline issues such as development timeline; City and CNM roles, responsibilities, and costs; lease terms; parking and site access rights; etc.
    - Prepare and execute long-term lease and/or other binding agreements.

- **Refine North End Development Framework**
    - This should include a physical and financial plan for the following key users/tenants:
        - CNM Film Production Center
        - Rail Yards Market. As another key tenant, the City should work with the Market to determine how this group can grow, flourish, attract additional investments and vendors (particularly locally based-vendors), and diversify its offerings to serve nearby residents.
        - 2 to 5 other key tenants and/or developers TBD to be located in key North end buildings. Ideally this would include some tenants that are associated with CNM and/or film production.
    - In some ways this North end plan would be a more focused and specific version of this Redevelopment Evaluation, and would include the following elements:
        - The tenants and uses to be located in various buildings (many may still remain TBD)
        - Public realm: Multi-modal transportation improvements, open space, parking.
        - Utilities and other public infrastructure: Existing and 5-year buildout plan.
        - Appraisals of individual North End Buildings, informed by the PBCA. These will refine the City's baseline for building and ground lease term expectations.
        - Financial Plan including TIDD plan
        - Improvements that need to take place on other parts of the site. For example, some parking may need to be provided on the South end in order to enable full tenancy of the north end, and therefore access between the North and South would need to be improved.
        - Security and access management, i.e., the means to control public, tenant, and visitor access from the north to center and south ends of the site.

- **Establish TIDD District to be used for Rail Yards Site Improvements**
    - Refine TIDD financial plans based on the North End Plan. Form a TIDD district using the steps outlined in Section 5-15-2 NMSA. Collect revenues and direct payment of public infrastructure.
    - Using the outcomes of this Redevelopment Evaluation and the North End Plan, establish a dedicated Rail Yards Redevelopment Fund at the City, where resources can be received and payed, and which will have adequate funds to carry out the infrastructure and other improvements necessary for the North End in the short term and sitewide redevelopment over the long term.
    - Evaluate the dedication of existing GRT or, if needed, additional GRT increment that can be bonded against and finance improvements for the Rail Yards, if needed.

- **Refine the Rail Yards Marketing Message and Release Request for Expressions of Interest (RFEI)**
  - While much remains unknown about City specific and final plans for the Rail Yards, LCG encourages the City to move forward expeditiously with preliminary outreach to potential third-party institutions, philanthropic funds, non-profit and private developers, community associations, tenants, government agencies, events organizers, Community Development Entities (CDEs) and Community Development Financial Institutions (CDFIs), and others who could locate to or invest in the Rail Yards revitalization. The City should be clear that while the City is open to *input* during this component of work, the priority is on generating interest from those with the capacity to locate or invest at the site. The City should be clear that all procurement and development decisions will be subject to relevant procurement laws and competitive selection processes; however, this should not preclude the City from marketing the site and vision.
  - There will never come a time when all is known about the property, and the perfect plan is in place. By pitching the City's vision to other external parties, the City may generate interest and inquiries, learn about key concerns or issues, sharpen its marketing pitch, or secure additional key anchor tenants. Identifying tenants (employers, restaurants, retailers, government agencies, others) who are interested in the site can make the economics of development more feasible for site- and building-developers.
  - Develop/Refine Marketing
    - *Print materials:* Refine existing materials, add new vision elements, and elements of this development evaluation as necessary.
    - *Web site:* One or more of the City's Rail Yards web sites should describe the types of opportunities that may be available for developers and/or tenants; and make it easy for these entities to call or email the designated City contact person.
  - Marketing/Outreach Meetings
    - Third-party institutions, philanthropic funds, non-profit and private developers, community associations, tenants, government agencies, events organizers, and others
    - Focus on base industries and key economic development focus areas such as Film / Arts and Entertainment, Energy / Alternative Energy / Environmental Technologies, Value Added Agriculture, entrepreneurship, etc.
  - Release Request for Expressions of Interest (RFEI)
    - While cities often release Requests for Proposals or Qualifications (RFPs) an RFEI is another alternative for generating interest in particular public-private partnerships. The major advantage is that is simpler for interested parties to complete; an RFEI submittal may include a one- or two-page cover letter describing the proponent's interest, and resumes, firm introductions, and general experience as attachments. No site-specific drawings, budgets, financials, or other terms—which can be very time consuming to prepare—are required. An RFEI can be similar to an RFQ, but also implies that respondents will be required to provide somewhat less specificity than an RFP response. The RFEI must therefore represent the first step in a multi-phase recruitment process. Based on RFEI submittals, the City can request specific proposals (e.g., RFP) from a short-list of candidates. Or, RFEIs can make possible the beginning of a conversation between the property owner (City) and potential tenants and site developers.

- Ideally, the RFEI would identify:
  - Developers and tenants specifically interested in the Fire Station, Waste and Paint Room, and Pattern House buildings.
  - Tenancy in other northern buildings, or Boiler Shop, that will not be occupied by CNM.
  - Reasons that the entities believe their business, non-profit, vision, etc. is consistent with the Rail Yards vision and Master Plan.
  - Community benefits (consistent with the Equitable Development findings and recommendations) that the proponent could or would provide.

- **Amend the Rail Yards Master Plan**
  - A key lesson learned by stakeholders involved in the Santa Fe Railyards project is that Master Plans can often be too specific, prescriptive, and restrictive. LCG strongly believes that making some targeted amendments to the Albuquerque Rail Yards Master Plan would make it more flexible and durable, without compromising the intent of the plan. Additionally, some key site parameters have changed. For example, the groundwater level has risen, making below-grade parking infeasible, and BNSF has vacated their former easement on the south end. A key example is, the "approved land uses" shown in the Figure 5 Development Matrix, which is highly prescriptive and appears to prohibit the following types of uses:
    - Retail and commercial uses in the Boiler Shop and Machine shop;
    - Housing in most of the south of the site. "Workforce housing" is approved for Parcel 2, but not Parcel 1, which comprises most of the south end of the site.
    - Hotel/hospitality/lodging is not mentioned in Figure 5. Hotels are cited elsewhere in the master plan text as a potential use for the north end. However, it may be desirable to specifically allow hotel/hospitality uses through more of the site, including the Boiler Shop and Machine shop.
  - Therefore, the following revisions should be considered:
    - Allowing retail and general commercial throughout the site (perhaps within limits on total square footage);
    - Allowing housing throughout the site, particularly in the south, though limits may be placed on heights or density if desired.
    - Making clear that the "Proposed Floor Area Ratio" column is not a binding requirement, as it could limit new development on some properties. The "height limits" are probably not be too restrictive and can probably remain as defined in the plan, but it may be useful to establish a policy for height variances.
    - Stating that a separate parking management plan will govern parking requirements. Because uses on some parcels will need to park on other parcels (e.g., tenants located in the Machine Shop), parking should be required on a property-wide rather than parcel-specific basis.
    - Redrawing the parcel lines or remaining open to future redefinition of parcel boundaries. As the City and other parties undertake more specific planning, it is likely that some leases will not conform to the parcel lines shown.
    - Other revisions yet to be determined.

        - The parties should clarify that aspects of the plan should be seen as flexible. For example, while the WHEELS museum is currently located in the Storehouse building and may continue to be located there, it could also move to another space in another building. The Master Plan should not be overly prescriptive about the location of this use, either.
    - These issues should be taken up, evaluated, and amended if acceptable, by the RYAB in conjunction with the City.

- **Evaluate the Formation of a Rail Yards Community Development Corporation (RYCDC)**
    - Convene community conversations to further discuss the need for and potential roles of a RYCDC.
    - Form a steering committee. Some or all members of the RYAB may be part of this committee.
    - Form a vision statement and the geographical focus area. LCG's view is that this CDC should be focused on the 27.3-acre Rail Yards property, and potentially some adjacent rights of way and adjacent properties but should not extend further into adjacent neighborhoods where other community organizations are already active.
    - Define the specific roles that the CDC is most likely to lead, and those where other organizations (e.g., MRA, private developers) are more likely to lead. In general, because of the Rail Yards redevelopment already has momentum with MRA and other City agencies in the lead, the CDCs role is expected to be greater in future years, and also be greater in the Center and South area compared to the North. LCG's view is that the CDC could lead in the following areas:
        1. Lead planning and development of the Boiler Shop and Machine Shop (complete Central Area Plan, in the future)
        2. Building- and Land-Lease negotiation and management (support MRA in beginning, lead in the future)
        3. Property management including management of existing tenants including Rail Yards Market and WHEELS
        4. On-site events marketing and management
        5. Help establish and apply the Equitable Development Policy 5.
        6. Actively pursue NMTC, philanthropic, corporate, and other types of investments that the City cannot pursue or is less likely to secure.
        7. Lead planning for the South end, including Housing.
        8. Bring Art into the Rail Yards, potentially through murals, sculpture, landscape design, or other. Art and design should reflect the heritage of the surrounding neighborhoods, site history, and City of Albuquerque.
    - Share the CDC vision internally and externally (e.g., with City leadership).
    - Refine the CDC funding plan. Funding should be generated from lease revenue, events, parking, some start-up capital from the City and other organizations, philanthropic contributions, and other sources TBD.
    - Release RFP for non-profit management and implementation partner.
      Following selection, por letter of intent

- **Prepare Building- and Ground-Lease Templates**
  - Prepare Building- and Ground-Leases for use at the Rail Yards. Use lease templates from the Santa Fe Railyards and other projects to inform the Albuquerque Rail Yards lease format. Leases should allow lessor rights and revenues to transfer from the City to RYCDC in the event that a City-RYCDC Master Lease is executed, and the RYCDC becomes the functional manager of the property.

- **Prepare Equitable Development and Neighborhood Stabilization Policies (Equity)**
  - The MRA, with input from the RYAB and (if formed) the RYCDC, should develop an equitable development framework
  - This may include an equitable development/economic property vision; guidelines (which may not be binding); specific requirements; and any associated benefits for developers or tenants who significantly advance equitable goals. Parties should consult the Equitable Development Recommendations summarized above and also provided in whole as a companion report.
  - As this policy is developed, thought should also be given to the economic impacts of various requirements. For example, requiring that some building area be leased to local or disadvantaged businesses likely implies lower rents, which will reduce the amount that building lessee can invest in building improvements.
  - Economic Prosperity considerations may include:
    - Local businesses preferences during construction and operations;
    - Creation of a local vendor or preferred vendor list;
    - Encouragement of family wage or higher-wage jobs;
    - Attraction of economic base (traded sector) industries, including film/arts/digital arts, solar/sustainable industries, agriculture;
    - Incubator spaces;
    - Career ladders of opportunity; and,
    - Positive impacts (multipliers) for existing neighborhood businesses.
  - Workforce Development considerations may include:
    - A refined understanding of the skills and aspirations of local workers;
    - Hire locally/first source hiring plans;
    - On the job training at new Rail Yards employers;
    - Location of workforce training agencies at the Rail Yards; and
    - Work with CNM and film industry to address barriers to entering the industry.
  - Sustainable/environmental business considerations may also be made.
  - These policies should be developed collaboratively by the RYAB in conjunction with the City.

Medium Term Actions Detail (Years 3-5)

- **Celebrate Opening of CNM Film Center**
  - Complete or substantially complete construction.
  - Celebrate opening day. Welcome students, faculty, and visitors to the new campus.

- **Lease and Complete Renovations on North End Buildings**
  - Negotiate and execute 3 to 5 building leases between City and building tenant or developer.
  - Building tenants/developers should complete or substantially complete renovations for 3 to 5 buildings, with tenant improvement allowance support from City.

- **Refine Development Framework for the Center and South Areas of the Site**
  - **Boiler Shop (Center)**
    - Prepare a specific redevelopment plan for the Boiler Shop since it the next phase and a natural progression from north to south. Undertake physical planning, additional conditions assessment (if needed), tenant recruitment, and other activities similar to those described above for the North end.
    - Identify potential tenants/investors for the Boiler Shop, particularly those able to invest and build buildings-within-buildings. If possible, sign MOUs, letters of intent, or draft ground leases with these tenants.
    - Assuming the City and CDC have confidence (via the agreements mentioned above) that the private sector will respond to public investments to the Boiler Shop, initiate foundation retrofit, floor resurfacing, and structural retrofit (particularly Boiler Shop and Machine Shop; potentially other structures).

  - **Center and South Areas of the Site**
    - This would be a refinement of the 2014 Master Plan, North End Development Framework, and other associated efforts, and would include the following elements:
      - The tenants and uses to be located within various buildings and sites (some may still remain TBD)
      - Tenant recruitment for the Center and South
      - Public realm: Schematic Design and Design Development for multi-modal transportation improvements, open space, stormwater retention areas, and parking. A park is anticipated on the South end, to include a restored Turntable as a central feature.
      - Utilities and other public infrastructure: A 5-year buildout plan should be completed.
      - Appraisals of individual Buildings within Buildings (in Boiler and Machine Shop) and existing South End Buildings, informed by the PBCA. These will refine the City’s baseline for building- and ground-lease term expectations.
      - Refined Financial Plan for Center and South end build out.

<u>**Community Development Corporation Pathway only:**</u>

- **Transition to CDC Management and Implementation**
    - Transition management and implementation to CDC including day-to-day property management, event marketing and management, leasing, infrastructure improvements, planning, managing the site's equitable development policy, and other actions covered above.
    - Prepare and potentially sign a City-CDC long-term Master Lease (e.g. 10 to 50 years, potentially with optional extensions).
    - Actively pursue NMTC and other investments that could potentially be targeted at one or more North end buildings or Boiler Shop (buildings within buildings).
    - Lead recruitment of potential housing developers for south end (see below).

<u>Master Developer Pathway Only:</u>

- Market the Rail Yards and Recruit Master Developer
    - Assuming that revitalization of the North End has been successful—i.e., infrastructure has been extended to the site, various public realm improvements have been made, CNM has opened, and renovations to several buildings are underway—there may be enough momentum at the Rail Yards that master developers will take another look at the site and decide that the opportunities there are more compelling than they seemed before, that the risk of excessive cost and environmental risk has been mitigated. From a practical point of view, the City should have evidence that the work on the north side has increased the desirability of the Rail Yards, and therefore achievable rent levels, such that they are comparable to other parts of downtown. Odds of attracting a master developer will also be improved if the national, regional, and downtown Albuquerque economies are strong (i.e. job and population growth, wage growth, low unemployment, etc.).
    - Define the characteristics of an ideal master developer. These may include the following types of experience:
        - Large-scale ($100 million+), mixed-use, urban sites that include adaptive reuse and new construction;
        - Development at other Rail Yards sites around the Western US;
        - Projects that created exceptional community benefits (particularly economic prosperity and workforce development) in downtown-adjacent and/or lower-income communities;
        - Ideally in the Southwest and Western US; and,
        - Public-private partnerships;
        - Ideally the firms will have the scale in terms of staff size, access to debt and equity financing, etc., to take on the Rail Yards.
        - The ideal master developer could be a partnership between multiple—e.g. two—development firms, with one in New Mexico and one from elsewhere.
    - Prepare list of community goals and anticipated types of community benefits that will be required of master developers.

  - Refine marketing materials and message, including print and online materials. The City should have good marketing materials at this point, but they may need to be adjusted to speak to larger-scale master developers, and orient these firms to the Albuquerque market.
  - Conduct a review of potential developers, with a focus on the Western US, but potentially extending nationwide. The City may be able to use the following sources to identify potential master developers: Industry news sources such as the Business Journals national network; professional organizations and conferences such as the Urban Land Institute; and data providers such as Dunn & Bradstreet. In addition, the City could contract with a consultant or commercial broker to assist with this work. Define a long- and short-list (10 to 20) of potential developers.
  - Conduct preliminary outreach. The City should connect in-person or via phone with the short list of potential developers. Notes should be kept regarding key areas of interest and concern. If interest appears very low, a formal request may not be appropriate at this time.
  - Release Request for Expressions of Interest (RFEI), see above RFEI description for more information.
  - Conduct a multi-phase interview and selection process.
  - Select Master Developer.
  - Negotiate Deal Points, including community benefits, and the roles and responsibilities of the City, CDC (if any exists), and other parties. Ongoing City roles may include design, community outreach, funding and constructing infrastructure, environmental remediation, etc.
  - Negotiate and execute Master Lease and/or other binding agreements, including specific and enforceable community benefits.

- **Complete Construction of North-End Infrastructure (Public Works)**
  - Complete or substantially complete all on- and off-site infrastructure components necessary to serve development of the North end. This includes on-site transportation and public realm improvements.

- **Complete City Roles and Responsibilities as defined in lease or other agreement**

- **Monitor and Enforce Community Benefit Agreements**

Appendices

Figure 26. Summary of Rail Yards Development Scenarios

Existing Conditions

Area	Parcel Area			Existing
	SF	**Acres**	FAR	Floor Area
North	354,773	8.1	0.6	57,829
Central	283,760	6.5	0.7	223,100
South	551,069	12.7	0.1	39,729
Total	**1,189,602**	**27.3**		**320,658**

1

	Site Area		Emp/Com		Public/Event		Housing			Total		Parking	
Future Use	SF	Acres	FAR	Floor Area	FAR	Floor Area	Density	Units	Floor Area	Floor Area	+/- SF	Demand	Supply
North	354,773	8.1		74,417						74,417	16,588	149	230
Central	283,760	6.5				223,100				223,100		335	
South	551,069	12.7		39,729			18	65	65,000	104,729	85,829	80	334
	1,189,602	**27.3**		**114,146**		**223,100**		**65**	**65,000**	**402,246**	**102,417**	**564**	**564.0**

2

	Site Area		Emp/Com		Public/Event		Housing			Total		Parking	
Future Use	SF	Acres	FAR	Floor Area	FAR	Floor Area	Density	Units	Floor Area	Floor Area	+/- SF	Demand	Supply
North	354,773	8.1		74,417						74,417	16,588	149	230
Central	283,760	6.5		110,500		112,600				223,100		335	
South	551,069	12.7		39,729			18	65	65,000	104,729	85,829	80	334
	1,189,602	**27.3**		**224,646**		**112,600**		**65**	**65,000**	**402,246**	**102,417**	**564**	**564.0**

3

	Site Area		Emp/Com		Public/Event		Housing			Total		Parking	
Future Use	SF	Acres	FAR	Floor Area	FAR	Floor Area	Density	Units	Floor Area	Floor Area	+/- SF	Demand	Supply
North	354,773	8.1		74,417						74,417	16,588	149	354
Central	283,760	6.5		216,152		112,600				328,752	105,652	493	
South	551,069	12.7		39,729			34	160	160,000	199,729	180,829	80	368
	1,189,602	**27.3**		**330,298**		**112,600**		**160**	**160,000**	**602,898**	**303,069**	**722**	**722.0**

Figure 27. Rough Order of Magnitude (ROM) Costs

The site development cost model includes a low- and high-end estimate. The low-end estimate is based on several recently completed or bid site improvement projects; the high-end uses a risk factor (of 20 to 3,000%) to account for the fact that conditions at the Rail Yards could be worse than anticipated. The low-end estimate is used in this report because these are expected to be more consistent with actual costs. The costs shown below include soft costs (design, engineering, permitting, environmental, geotechnical, contractor overhead) that are 39% of hard (construction costs), and a 10% contingency. LCG recommends that the City plan for and use a contingency of 30% or more based on the preliminary nature of these figures, until a PBCA is complete.

Infrastructure / Improvement	**Scenarios 1 & 2**		**Scenario 3**	
Category	Subtotal (Low)	Subtotal (High)	Subtotal (Low)	Subtotal (High)
Hard Cost				
General Site	$4,461,916	$5,354,299	$4,461,916	$5,354,299
Drainage	$1,026,367	$1,231,640	$1,026,367	$1,231,640
Water	$1,211,630	$1,453,956	$1,211,630	$1,453,956
Sewer	$1,897,567	$2,277,080	$1,897,567	$2,277,080
Electrical / Joint Utility	$3,304,836	$3,965,803	$3,304,836	$3,965,803
Striping & Signage	$89,383	$107,260	$89,383	$107,260
Retention Basin	$257,600	$309,120	$257,600	$309,120
Landscaping	$1,914,667	$2,297,600	$1,914,667	$2,297,600
Other	$14,500,000	$32,770,000	$25,330,000	$49,015,000
Hard Cost Subtotal	$28,663,965	$49,766,759	$39,493,965	$66,011,759
Soft Cost				
Soft Cost Subtotal	$14,045,343	$16,195,140	$19,352,043	$22,314,090
Total	**$42,709,308**	**$65,961,899**	**$58,846,008**	**$88,325,849**

Sources: Stantec, Inc., City of Albuquerque, Leland Consulting Group.

Figure 28. ROM Cost Detail: Other Category: Environmental, Site Prep, Boiler Shop and Machine Shop Building Repairs

Other		**Scenarios 1 & 2**		**Scenario 3**	
		Subtotal (Low)	Subtotal (High)	Subtotal (Low)	Subtotal (High)
Environmental	Class I Soil (T&D)	$900,000	$1,350,000	$900,000	$1,350,000
	Class II Soil (T&D)	$300,000	$450,000	$300,000	$450,000
	ACM Friable Waste (Handle&Load&T&D)	$400,000	$800,000	$400,000	$800,000
	Vapor Barrier under new building	$1,000,000	$2,000,000	$1,000,000	$2,000,000
	Vapor Barrier for existing building	$1,000,000	$2,000,000	$1,000,000	$2,000,000
	Environmental	**$3,600,000**	**$6,600,000**	**$3,600,000**	**$6,600,000**
Site Prep and Demo	Road Closure and Traffic Control	$100,000	$120,000	$100,000	$120,000
	Add for work in limited access area	$100,000	$150,000	$100,000	$150,000
	Demolition of Structural Items	$200,000	$600,000	$200,000	$600,000
	Hardscape Sawcutting and Removal	$100,000	$100,000	$100,000	$100,000
	Site Prep and Demo	**$500,000**	**$970,000**	**$500,000**	**$970,000**
BS & MS Roof repair	Roof repair	$5,000,000	$15,000,000	$5,000,000	$15,000,000
BS & MS Windows ACM	Windows ACM abatement	$900,000	$2,700,000	$900,000	$2,700,000
Structured Parking	Structured Parking	$0	$0	$14,537,470	$21,806,205
Parks, Plazas, Open Space	Open Space Park	$1,000,000	$3,000,000	$1,000,000	$3,000,000
	Hardscaped Plaza	$3,000,000	$4,500,000	$3,000,000	$4,500,000
	Parks, Plazas, Open Space	**$4,000,000**	**$7,500,000**	**$4,000,000**	**$7,500,000**
Not Estimated	Transit Station	$0	$0	$0	$0
	Rail Overcrossing	$0	$0	$0	$0
	Rail Undercrossing	$0	$0	$0	$0
	Passenger Facility	$0	$0	$0	$0
	Structural Retrofit	$0	$0	$0	$0
	Foundation Retrofit	$0	$0	$0	$0
	Floor Resurfacing	$0	$0	$0	$0
	Other	**$14,000,000**	**$32,770,000**	**$28,537,470**	**$54,576,205**

Sources: Stantec, Inc., City of Albuquerque, Leland Consulting Group.

Figure 29. TIDD Tax Base and Revenue Estimates by Development Scenario

Scenario 1

Tax Base

Area	Subject to GRT: One Time: Infrastructure Impr. (ROM)	One Time: Const. Cost Vertical Dev.	Recurring Annual (at Buildout): Gross Receipts	Recurring Annual (at Buildout): Utilities	Assessed Property Value At Builtout
North	$10,677,327	$11,932,366	$7,375,170	$37,209	$5,162,721
Central	$14,236,436	$0	$0	$0	$0
South	$10,677,327	$19,911,970	$3,020,205	$52,365	$10,128,882
Total	**$35,591,090**	**$31,844,336**	**$10,395,375**	**$89,573**	**$15,291,603**

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TIDD Receipts

Area	From Site and Vert. Constr.	Bond: Rec. Gross Receipts	Bond: Property Tax	Total
North	$1,268,262	$2,260,278	$139,653	$3,668,193
Central	$798,575	$0	$0	$798,575
South	$1,715,868	$936,928	$273,988	$2,926,784
Total	**$3,782,706**	**$3,197,206**	**$413,641**	**$7,393,553**

Scenario 2

Tax Base

Area	Subject to GRT: One Time: Infrastructure Impr. (ROM)	One Time: Const. Cost Vertical Dev.	Recurring Annual (at Buildout): Gross Receipts	Recurring Annual (at Buildout): Utilities	Assessed Property Value At Builtout
North	$10,677,327	$11,932,366	$7,375,170	$37,209	$5,162,721
Central	$14,236,436	$19,821,640	$22,652,500	$111,550	$23,785,968
South	$10,677,327	$19,911,970	$3,020,205	$52,365	$10,128,882
Total	**$35,591,090**	**$51,665,976**	**$33,047,875**	**$201,123**	**$39,077,571**

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TIDD Receipts

Area	From Site and Vert. Constr.	Bond: Rec. Gross Receipts	Bond: Property Tax	Total
North	$1,268,262	$2,260,278	$139,653	$3,668,193
Central	$1,910,445	$6,941,509	$643,415	$9,495,369
South	$1,715,868	$936,928	$273,988	$2,926,784
Total	**$4,894,576**	**$10,138,715**	**$1,057,056**	**$16,090,347**

Scenario 3

Tax Base

Area	Subject to GRT: One Time: Infrastructure Impr. (ROM)	One Time: Const. Cost Vertical Dev.	Recurring Annual (at Buildout): Gross Receipts	Recurring Annual (at Buildout): Utilities	Assessed Property Value At Builtout
North	$14,711,502	$11,932,366	$7,375,170	$37,209	$5,162,721
Central	$19,615,336	$29,208,408	$33,379,855	$164,376	$35,050,090
South	$14,711,502	$37,974,180	$5,759,842	$99,865	$19,316,822
Total	**$49,038,340**	**$79,114,953**	**$46,514,867**	**$301,449**	**$59,529,633**

TIDD Receipts

Area	From Site and Vert. Constr.	Bond: Rec. Gross Receipts	Bond: Property Tax	Total
North	$1,494,554	$2,260,278	$139,653	$3,894,486
Central	$2,738,707	$10,228,741	$948,111	$13,915,559
South	$2,955,337	$1,786,818	$522,524	$5,264,679
Total	**$7,188,599**	**$14,275,837**	**$1,610,288**	**$23,074,724**

Source: Leland Consulting Group.

Figure 30. Building Values and Operating Economics, Downtown Albuquerque Office Buildings; Rail Yard Lease Rate Assumptions

Note: No adjustments have been made below to account for the additional operating expenses that a building developer could conceivably incur in order to comply with special leasing requirements and policies set for the Rail Yards site. Likewise, no adjustments to cap rate have been made for Rail Yards buildings. It is conceivable that some third-party developers would apply a higher cap rate to such buildings because they are unique and would be more difficult to sell or secure refinancing for, for example. Both adjustments could reduce developers' willingness to invest in Rail Yards buildings.

Developers' willingness to pay for building improvements and long-term leases (to City or site manager) will vary significantly depending on the public benefits that the City requires developers to provide, and the rent revenue developers can realize within that regulatory framework.

	High Quality Building ("4 & 5 Star")	Average Building	Adjustment	RY Building w/Below Mkt. Leases
Gross Rent PSF	$20.35	$16.52	Varies	$15.86
Operating Expenses	$7.48	$4.90	0%	$4.90
Net Operating Income	$12.87	$11.62		$10.96
Cap Rate	7.8%	8.3%	0.0%	8.3%
Building Value PSF	**$165**	**$140**		**$132**

	% of Building Area	% Below Market	Rate
Market Rate Leases	80%		$16.52
Below Market Rate Leases	**20%**	20%	$13.22
Weighted Average Lease Rate	100%		$15.86

Sources: CoStar (rents, operating expenses, cap rates, and building values); Leland Consulting Group.

Figure 31. Types of Leases at the Rail Yards

LCG assumes that the City or site management entity will enter into a series of long-term leases on the site. The leases will be either for existing buildings or land. These leases are summarized below.

Building / Site Name	**Lease Type**
Firehouse, Waste & Paint Rooms	Existing Buildings
Tender Repair Shop	Existing Building
Flue Shop	Existing Building
Blacksmith Shop	Existing Building
Boiler Shop	Land, for buildings within buildings
Machine Shop	Land, for buildings within buildings
Storehouse	Existing Building
South Washroom, Welding Shop, Babbit Shop	Existing Buildings
Housing	Land, for new housing dev'ment
Total	

Figure 32. Estimated Renovation Cost for Existing Buildings, including City and Lessee Costs

Construction Category		**Total** Est. Cost PSF	City/CDC (Lessor) Costs	Lessee/ Developer Costs
Site Work incl. Environmental		Incl. in ROM		
Hard Cost of Construction				
Foundation		$5	$5	
Shell, incl. Environmental		$37	$37	
Interiors		$21		$21
MEP		$53		$53
Subtotal		$116		$75
Tenant Improvements		$25		$25
Subtotal		$141	$42	$100
Soft Costs and Contingency	30%	$42	$12	$30
City Planning Contingency	20%	$8	$8	
Total		**$192**	**$62**	**$130**

Figure 33. Estimated Construction Cost for Buildings within Buildings

Note: As shown below, LCG assumes that foundations and shells for buildings within buildings will cost less than "average" buildings because a) the City is expected to improve the Boiler and Machine Shop foundations, and b) the BWB shells will not need to protect from the elements to the normal degree because they will be within the larger enclosures.

Construction Category	Base Est.	BWB Adjustment	**Total** Est.	City/CDC (Lessor) Costs	Lessee/ Developer Costs
Site Work incl. Environmental					
Hard Cost of Construction					
Foundation	$5	20%	$1	$1	
Shell, incl. Environmental	$37	75%	$28	$28	
Interiors	$21		$21		$21
MEP	$53		$53		$53
Subtotal	$116		$103		$75
Tenant Improvements	$25		$25		$25
Subtotal	$141		$128	$29	$100
Soft Costs and Contingency	$42		$38	$9	$30
City Planning Contingency	$8		$6	$6	
Total	**$192**		**$172**	**$43**	**$130**

Source: Leland Consulting Group, RS Means Construction Cost Estimation Database.

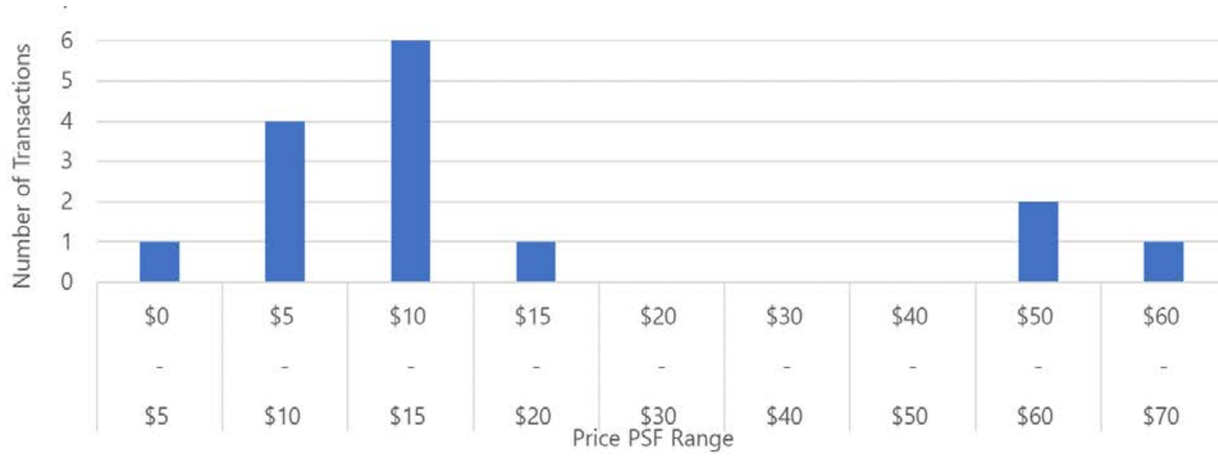
Figure 34. Building Lease Calculation for Existing Building

Existing Building Renovation Costs Per Square Foot (PSF)		
Building Value of Building if Fully Improved	$132	PSF
- Lessee's Investment (Improvement Costs)		
Lessee's Total Improvement Costs	$130	
- Value of Historic Tax Credits	$18	
Lessee's Net Investment	$111	
= Building Value As-Is	$21	
x Land Lease Rate	8.0%	
Annual Lease Payment	$1.65	PSF of Bldg Area
Cost to Bring Building to Useable Commercial Conditi	$192	
- Lessee's Investment (Improvement Costs)	$130	
City Responsibility	**$62**	

Figure 35. Building Lease Calculation for Building Within Buildings

Building Within Building Costs Per Square Foot (PSF)	
Building Value of Building if Fully Improved	$132
- Lessee's Investment (Improvement Costs)	
Lessee's Total Improvement Costs	$130
- Value of NMTC @ 20% subsidy	$18
Lessee's Net Investment	$111
= Building Value As-Is	$21
x Land Lease Rate	8.0%
Annual Lease Payment	$1.65
Cost to Bring Building to Useable Commercial Condition	$172
- Lessee's Investment (Improvement Costs)	$130
City Responsibility	**$43**

Figure 36. Number of Land Transactions by Purchase Price per Square Foot, Downtown Albuquerque, 2008 – 2019



Source: CoStar, Leland Consulting Group.

Figure 37. Land Transactions, Downtown Albuquerque, 2008 – 2019

	Property Addres	Land Area AC	Land Area SF	Zoning	Buyer (True) Co	Sale Date	Sale Price	ce Per SF Land
1	222 Central Ave	0.82	35,501	SU-3	0	4/18/2018	$1,900,000	$53.52
2	2000 Zearing Rd	74	111,775	S-MI	Accion New Mexi	4/2/2008	$995,000	$8.90
3	1211 4th St NW	0.35	15,300	S-R , C-2	0	3/1/2014	$950,000	$62.09
4	1211 4th St NW	0.35	15,300	S-R , C-2	Rio Grande Credi	5/14/2008	$850,000	$55.56
5	2401 Central Av	1.18	51,357	C-1	Sujani Ganga Su	6/18/2008	$710,000	$13.82
6	1025 4th St NW	0.79	34,500	MX-L	0	1/30/2019	$662,500	$19.20
8	1942 NE Broadw	1	43,560	SU-2/MI	Greater Albuquer	2/26/2008	$540,000	$12.40
10	312 NE Indian S	2	87,120	SU-2/NRC	0	2/26/2008	$463,500	$5.32
11	20th St NW	0.8	35,048	S-MI	Heritage Hotels &	5/25/2011	$375,000	$10.70
12	1320 2nd St NW	0.72	31,498	0	0	4/3/2018	$307,000	$9.75
13	401 Locust Ave	0.46	20,038	M-1	Brad H & Andera	3/18/2008	$250,000	$12.48
14	205 Roma Ave N	0.44	19,275	M-1	WESST Enterpris	12/2/2009	$235,000	$12.19
16	1615 7th St NW	0.25	10,890	SMI	0	7/15/2015	$125,000	$11.48
17	1500 12th St NW	0.62	26,811	S-I	Sacred Power Co	1/4/2010	$81,930	$3.06
18	1200 Lomas Blv	0.17	7,492	RC	Benito and Rita S	10/3/2011	$68,750	$9.18
							Average	$20
							Median	**$12**

Source: CoStar, Leland Consulting Group.

Figure 38. Land value Assumptions. Summary of Appraisal of Land Completed for CABQ and Adjustment for BWB

Land Appraisal Completed for CABQ		
Subject Property: Near Rail Yards site		
Across street from RY		
Total Value	$75,600	
Site Area (SF)	10,080	
Value PSF	**$7.50**	
Premium for RY BWB sites	20%	
Developer's cost for roof, other shell, foundations, and potentially other building systems will be less.		
Unique Location		
RY BWB Site Value	**$9.00**	PSF

Figure 39. Leasing Summary by Building and Site, Scenario 2

Building / Site Name	**Lease Type**	**Site Area SF**	**Floor Area SF**	**Value PSF**	**Parking Adj.**	**Lease Rate**	**Lease** Annual Rev.
Firehouse, Waste & Paint Rooms	Existing Buildings	98,216	5,520	$21	1.8	8.0%	$16,839
Tender Repair Shop	Existing Building	19,529	35,152	$21	1.8	8.0%	$107,233
Flue Shop	Existing Building	9,340	8,878	$21	1.8	8.0%	$27,083
Blacksmith Shop	Existing Building	30,298	24,867	$21	1.8	8.0%	$75,857
Boiler Shop	Land, for buildings within buildings	61,120	27,900	$9	1.8	8.0%	$37,062
Machine Shop	Land, for buildings within buildings	142,747	82,600	$9	1.8	8.0%	$109,726
Storehouse	Existing Building	63,582	18,900	$21	1.8	8.0%	$57,655
South Washroom, Welding Shop, Babbit Shop	Existing Buildings	24,000	20,829	$16	1.8	8.0%	$25,829
Housing	Land, for new housing dev'ment	154,600	0	$9	1.0	8.0%	$111,312
Total		**603,432**	**224,646**				**$568,597**

Figure 40. Summary of IDO Parking Requirements

Table 5-5-3: Shared Parking Reduction Factors

Property Use	Multi-family Residential	Civic or Institutional	Food, Beverage, and Indoor Entertainment or Lodging	Retail	Other Non-residential
Multi-family Residential	1.0				
Civic or Institutional	1.1	1.0			
Food, Beverage, and Indoor Entertainment or Lodging	1.1	1.2	1.0		
Retail	1.2	1.3	1.3	1.0	
Other Non-residential	1.3	1.5	1.7	1.2	1.0

Use		Spaces	Per:
University or College		2.0	1,000 SF
Vocational School		3.0	1,000 SF
Museum		3.0	1,000 SF
Restaurant		8.0	1,000 SF
Other indoor entertainment		1.0	/3 persons design capacity
Club or event facility		1.0	1,000 SF
Retail		4.0	1,000 SF
Hotel		1.0	guest room
Mixed Employment			
Office	40%	3.5	1,000 SF
Artisan Manufacturing	30%	3.0	1,000 SF
Light Manufacturing	30%	1.0	1,000 SF
Average	100%	**2.6**	

Shared Parking

Primary Land Use	Employment ("Other Non-Residential")			2.6

Shared With:	Sample Use	Reduction	Reduction %	Effective Ratio
Multifamily		1.3	23%	2.00
Civic or Institutional	CNM	1.5	33%	**1.73**
Food, Bev, Entertainment, Lodging	Event space	1.7	41%	**1.53**
Retail		1.2	17%	2.17
Other Non-Residential		1.0	0%	2.60

Shared Parking between: Mixed Employment, Civic, and Event/Entertainment	1.6
Common Area / Unprogrammed Public Space	10%
ME/Civic/Event Parking Ratio	**1.50**
ME and other Parking Ratio	**2.00**

Figure 41. Operating Income, Santa Fe Railyards: 2011 Information and 2019 Escalated Estimate

	2011	2019 Est
Operating Income		
SFRCC		
Building Leases	$1,340,000	$1,532,611
Common Area Maintenance	Incl. in above	Incl. in above
Event Fees	$60,000	$68,624
Subtotal	$1,400,000	$1,601,236
Railard Stewards		
Corporate, Foundation, Oth	$95,000	$108,655
Program Revenue	$25,500	$29,165
City of Santa Fe, RY Park Ma	$25,500	$29,165
Subtotal	$146,000	$166,986
Total	**$1,546,000**	**$1,768,222**
Expenses		
SFRCC		
Debt Service (Land)	$700,000	$800,618
Payroll	$320,000	$365,997
Maintenance and Repairs	$130,000	$148,686
Subtotal	$1,150,000	$1,315,300.89
Railard Stewards		
Program Staff	$146,000	$166,986
Subtotal	$146,000	$166,986
Total	**$1,296,000**	**$1,482,287**