Volcano Heights Next Steps Forum for Property Owners

January 9, 2014

8:30 am – 1 pm

City Hall, 9th Floor, Council Committee Room

AGENDA:

Time	Topic	Special Guests
8:30-9:15	**Water, Wastewater, & Drainage**: • Albuquerque Metropolitan Arroyo Flood Control Authority (AMAFCA) • Albuquerque/Bernalillo County Water Utility Authority (ABCWUA)	Brad Bingham, AMAFCA (bbingham@amafca.org) Allan Porter, ABCWUA (aporter@abcwua.com)
9:30-10:15	**Transportation**: • Transit: Rio Metro • Roads: Department of Municipal Development (DMD)	Tony Sylvester, Rio Metro (tsylvester@mrcog-nm.gov) Wilfred Gallegos, DMD (WGallegos@cabq.gov) Blake Whitcomb, Legal (bwhitcomb@cabq.gov)
10:30-11:45	**Financial Tools Discussion**	Jill Sweeney & David Buchholtz Brownstein|Hyatt|Farber|Schreck Steve Metro, Wilson & Company Jon Zaman, Director of Council Services (jzaman@cabq.gov)
12:00-1:00	**Development Discussion**	Todd Clarke, NM Apartment Advisors, Inc. Paul Silverman, Geltmore, LLC David Bogas, EPT Land Communities

8:30 – 9:15 am: Water / Wastewater & Drainage

Drainage: AMAFCA

Brad Bingham from AMAFCA explained that one of the primary reasons AMAFCA is preparing a Drainage Master Plan for the Volcano Heights area is that downstream capacity at the Piedras Marcadas dam to the east – where most water here tends to flow – is only large enough to handle the stormwater that falls here now (i.e. "natural flows"). Any development in Volcano Heights will likely produce additional drainage flows, which would push the downstream facility over its limit.

In order to address this issue prior to development in Volcano Heights, AMAFCA is creating alternative scenarios that transfer drainage flows as much as possible from the Piedras Marcadas watershed to two other nearby watersheds: Calabacillas to the north or Boca Negra to the south. These alternatives can be seen at AMAFCA's project webpage: http://www.amafca.org/projects/upm-vh.html. AMAFCA hopes to identify a preferred alternative with the help of property owners, as well as a financial mechanism to allow AMAFCA to proceed with construction of the backbone drainage infrastructure ahead of private development, with property owners paying back the cost when the property develops. Property owners are encouraged to participate in AMAFCA's planning process. Questions should go to the project manager, Karen Stearns (kstearns@amafca.org or 505-884-2215). Wilson and Company is the consultant.

The project timeline is still in flux, but AMAFCA hopes to have the Master Plan finished by summer 2014. Because AMAFCA's total bonding capacity is $12.5 million, with up to $25 million every two years, construction of will likely be phased. The Plan will identify what major infrastructure is needed and in what general areas, with final decisions about the exact location of each facilities to be worked out at the project phase. Each phase might be between $1-1.5 million. Once a project phase is identified, the first 4-6 months involve land acquisition, obtaining entitlements, and securing funding before design and construction begin. Final design engineering takes approximately 6-12 months, with construction itself lasting somewhere around 2 years. The phasing would likely be decided based on which areas are ready to develop or the likeliest to develop. Phasing often starts at the bottom of the watershed, working upstream over time.

AMAFCA does encourage incorporating amenities like parks or other multi-use facilities with drainage facilities. Examples in Albuquerque include Ventana Dam or Mariposa. Property owners should work with AMAFCA to explore this possibility.

Water / Wastewater: ABCWUA

Allan Porter from ABCWUA explained that Volcano Heights is part of the former service area of NMUI, which ABCWUA acquired in 2009. NMUI stopped much of its planning and water rights acquisition prior to being purchased, so this area represents a hole in the system, with limited infrastructure in the surrounding area. In addition to basic trunk infrastructure, multiple connections will be needed to interconnect the two systems. There are currently only three connections: Paseo del Norte near Golf Course Rd., Rainbow Blvd., and Coors Blvd.

ABCWUA's major priorities in this area are arsenic treatment and extending the existing sewer line east on Paseo del Norte. Wastewater generated in Volcano Heights will likely need to tie into that main sewer line. In the absence of an arsenic treatment center on the West Side, water from wells east of the river and surface water from the San Juan/Chama treatment plant is currently being pumped to the West Side to blend with water pumped from west side wells.

Volcano Heights straddles two pressure zones: 4W and 3WR. There will likely need to be a valve added to balance the pressure across zones. There are existing lines west of Universe Boulevard and north of Volcano Heights.

The Northwest Area Integrated Infrastructure Plan is in draft form. It identifies the major infrastructure needed and general locations. Mr. Porter agreed to work with AMAFCA to coordinate with AMAFCA's Drainage Master Plan. Steve Metro of Wilson and Company took an initial look and provided proposed locations for water and wastewater lines, which he estimated might cost $1.5 million each. There is a possibility that funding for that infrastructure could be connected to AMAFCA's bond, which would be especially helpful since the wastewater could go in the same trench as the drainage infrastructure, with water lines 10 feet from the trench on a higher level. He should be contacted directly for more details (Steve.Metro@wilsonco.com or 505-348-4000).

9:30-10:30 am: Transportation

Transit

Tony Sylvester of Rio Metro described the major transportation issue facing our region: congestion on river crossings now and in the future. Commutes could take up to 3 times as long in 25 years. Volcano Heights begins to address the jobs/housing imbalance, but economic development must also ensure the viability of businesses on the West Side in the future.

The Metropolitan Transportation Plan for 2035 set aside a portion of the region's transportation funds for transit projects, with $6 million per year expected by 2016. Rio Metro is committed to addressing and improving transit on river crossings. As a first step, Rio Metro has completed a feasibility study for high capacity transit (also referred to as Bus Rapid Transit or BRT) along the Paseo del Norte corridor to connect Rio Rancho to the north to Jefferson/I-25 employment center on the east, partly via Unser Boulevard and the proposed Transit Boulevard through Volcano Heights. The Volcano Heights plan was key to choosing this alternative route over others being studied. The first phase of implementation includes two park and ride locations: one in Volcano Heights and one near Golf Course on Paseo del Norte. The second phase would include platforms and stations, pedestrian amenities, fare boxes, etc. once local demand has been built. The RTD is now looking at financing options. In addition to capital for initial implementation, the funding challenges include covering operating costs. The operating dollars per passenger would need to be competitive with existing transit services in the region.

Roads

Wilfred Gallegos from DMD described that in other areas of town, development often takes place in one of the following ways: a master developer assembles land and develops it privately, multiple property owners form a Special Assessment District (SAD), or a major property owner forms a Public Improvement District (PID), especially when the development will be either mixed use or industrial. In any case, the relevant entity would be expected to construct a half-section of either Paseo del Norte or Unser Boulevard where property that fronted either road was to be developed.

If property owners decide to develop individually, each project would need to go to the Development Review Board (DRB), which could ultimately be slower than if property owners were to plan together for an SAD or PID. An SAD or PID would require agreement and consensus of all the property owners within a boundary that they define.

An SAD or PID would not include local roads, which would be decided based on traffic generation, where individual projects need access, and street widths to accommodate particular uses.

Mr. Gallegos explained that the City would expand Unser or Paseo if and when traffic conditions warranted the expansion. This would likely occur if Quail Ranch developed to the point that increased traffic volumes dramatically in non-peak hours in addition to peak hour congestion.

One property owner pointed out that the expansion of both Unser Boulevard and Paseo del Norte are on the Component Capital Improvements Program (CCIP) list for 2012-2022. The CCIP list identifies City CIP projects that are eligible for impact fee credits if they are constructed as part of private development. The City's recent changes to the impact fee structure may have reduced the effectiveness of this program.

Another property owner asked whether the Federal Aviation center on Paseo del Norte near Louisiana was assessed for its portion of the Paseo del Norte build out. Because the federal government is not under the jurisdiction of the City, the City has no power to assess the federal government for roads.

10:30 a.m. - 12 p.m: Financial Tools

City Bond Counsel David Buchholtz and Jill Sweeney of Brownstein|Hyatt|Farber|Schreck and Jon Zaman, Council Services Director, outlined several tools used in New Mexico to finance public infrastructure projects in individual developments or subdivisions. These include Special Assessment Districts (SADs), Public Improvement Districts (PIDs) and Tax Increment Development Districts (TIDDs). Examples of recent projects using either a PID or TIDD include Mariposa, Winrock, and Mesa del Sol. There are several active SADs in Albuquerque, including SAD 228, which is currently financing infrastructure improvements, such as full build-out of Unser Blvd., in parts of Volcano Cliffs, just south of Volcano Heights.

These tools typically use tax revenues or fees generated from properties in a specific area to service debt (e.g. bonds) on infrastructure built or improved to serve that area. David Buchholtz distinguished these tools from citywide infrastructure financing programs, such as General Obligation (G.O.) Bonds, which require voter approval. Projects are identified in the City's Capital Implementation Program

(CIP). The bonding capacity ranges from $110-165 million based on a constant mil rate on property taxes. The fluctuation of property value is an important factor in the ultimate bond total. The portion of the bond that goes toward operating costs has increased over the last several years compared to the portion for capital expenditures. Elected officials typically lead the process of distributing G.O. Bond funds to various capital projects around the city and/or to department operating expenditures. As a safeguard, the State Constitution caps the total assessed value of property that can go toward G.O. Bonds at 4%.

Other City sources of revenue for public infrastructure projects include the City's Transportation Infrastructure Tax and impact fees.

Special Assessment Districts (SADs)

Special Assessment Districts (SADs) are formed in areas with multiple property owners. Owners within the district boundary vote to pay an assessment in addition to property tax that goes toward public infrastructure necessary for development that adds value to the properties within the district boundary. There is a detailed calculation performed to ensure that the assessment is proportional to the benefit to each property, and no property owner can be assessed more than the expected benefit.

The City Council is the final approval body, and most SADs take approximately four years from application to approval. Infrastructure projects are managed by the City and constructed by a City-approved vendor. The process to establish the SAD takes approximately two years from the end of the legal process to the actual financing. The process includes two public hearings and at least one City Council hearing. After a 10-year litigation over SAD 216, which included the I-40/I-25 interchange (a.k.a. "The Big I"), was settled out of court, the City began to require complete consensus of owners within the district in order to approve the SAD.

Property owners were encouraged to contact Blake Whitcomb with City Legal to discuss the possibility of an SAD. (bwhitcomb@cabq.gov, 505-768- 4654)

Public Improvement Districts (PIDs)

Based on criticisms that the SAD took too long and wasn't a helpful process for significant pieces of land with 1-2 owners, a new financial tool was created – the Public Improvement District, or PID. The source of funds is the same as an SAD, i.e. an assessment on the property similar to a property tax that is used to repay a financing bond issued by the City for infrastructure costs. Because it typically involves fewer property owners, the process tends to be quicker and can be more dynamic than that for a SAD.

The application process typically costs between $100,000 and $200,000, which includes engineering studies, a feasibility study, a market analysis, the rate and method of assessments, and the cost benefit to each property that determines the assessment amount. The application typically takes a year to put together and 120 days for the City Council to take final action. There are several local firms with expertise in PIDs that property owners could approach, including the Rodey Law Firm, Modrall Sperling, and Sutin, Thayer and Browne. While it may be premature, property owners could also contact investment bankers who are involved with these kinds of bonds (e.g., RBC Capital Markets, Southwest Securities, Wells Fargo).

Examples of recent projects that established a PID include Ventana West, Saltillo, the Trails, the Boulders, and Lower Petroglyphs. Mariposa, a controversial PID in Rio Rancho, had a different type of financing that contributed to its failure, and it should not prevent new PIDs from being approved in the future.

A property owner asked how quickly the property would be assessed and whether a payment plan was available for the assessment. Mr. Buchholtz responded that the SAD or PID funding essentially spreads the assessment payments over a period ranging from 10-30 years. A lien is placed on the property, which is subject to foreclosure if the assessment is not paid. If the land is sold, the debt follows the land.

With a PID, since the applicant is the developer, the PID itself is the purchaser of the asset, paid for with the proceeds of the note, and the public infrastructure that is built is essentially acquired by the relevant public bodies (AMAFCA, NMDOT, CABQ, APS, ABCWUA, etc.) if it meets their standards and they are willing to accept it.

Tax Increment Development District (TIDD)

Unlike an SAD or a PID, a TIDD is a repayment source, not an assessment against property owners. The funds come from an increment of increased value compared to a base year. The increment is made up of increases in property tax due to an increased value of property and/or gross receipts tax revenues and/or commercial activity within the district, including any gross receipts taxes collected within the district or from construction materials purchased for development within the district. In a TIDD, a portion of these new revenues is used by the developer to repay bonds or other financing issued for the public infrastructure constructed within the district. TIDDs typically have up to a 25-year maturity. There is a first lien on the increment to repay the bond. There is no general obligation of the City or the property to repay the developer.

Recent project examples that created a TIDD include Mesa del Sol, Winrock, and Stonegate in Rio Rancho. The success of the TIDD is based on a predictable increment over time. Projects with a strong mixed-use component have the best potential. (Supermarkets, for example, would not contribute to the increment since food is not subject to GRT.) The creation of base jobs (i.e. 50% or more of the jobs would be created from outside of the region vs. transferred to a different location within the region) is also an important component for the TIDD's financial success.

A state act in 2005/6 took many of the PID application procedures and applied them to the TIDD process. The downside for jurisdictions that are affected (i.e. City, County, and potentially the State) is that they give up their GRT proceeds. For this reason, the TIDD typically gets the most scrutiny of all the financial tools. It's also the longest and most involved application process, typically costing $500,000 to $600,000. The calculations and analyses involved require estimation of annual taxes, the number and types of jobs to be created, market absorption rates, the type and amount of retail activity, etc. Policy makers also want to see that the applicants have "skin in the game," contributing something in the range of 20% of the estimated value of the infrastructure. Most developments that use TIDDs combine other financial sources as well, with a hybrid of the Transportation Tax, state funding, G.O. bonds, CCIP and impact fees.

Property owners were encouraged to approach policy makers about the creation of a TIDD and/or G.O. bonds. Although G.O. bonds run as a 10-year program, the projects are not static within the 10-year span.

Noon – 1 p.m.: Development Discussion

David Bogas with EPT Land Communities started the discussion with an overview of a project in El Paso, Texas, similar in scale and purpose to Volcano Heights. Montecillo includes approximately 300 acres, no "big box" stores, and a mix of office, retail, and residential units. The development had to be planned around an existing arroyo, with huge stormwater capacity that gets filled maybe twice a year. The developers were able to convince city officials that this mixed-use development brought an additional $500 million in tax revenue compared to a typical suburban low-density development pattern. (EPT estimated that a typical single-family subdivision would bring in $220 million compared to &750 million for a mixed-use development.) Based on this analysis, EPT worked out a public-private partnership with El Paso to reimburse the developer for part of the infrastructure cost. The development now has 400 residential units built and rented with a waiting list of buyers. Walkability and high quality of life were major selling points. Montecillo required City support to construct a regional road abutting the development at its northern edge. In addition to funds from the City, Montecillo used El Paso's version of a TIDD to pay for the majority of its infrastructure.

Paul Silverman with Geltmore LLC described a development next door to Montecillo called Aldea, with 3 million square feet of office and retail planned, including a Walmart, as well as residential units at a mix of densities. Aldea also has an arroyo running through it. Mr. Silverman explained that El Paso had a $10 million drainage problem on these two properties, so it was in the City's interest to help the areas develop successfully in a way that preserved and enhanced the drainage function of the arroyos while also generating additional city revenues that could be invested to resolving the problem both upstream and downstream. Aldea required working with the state department of transportation to plan and construct a highway interchange. In addition to a financial tool equivalent to the TIDD in New Mexico, Aldea also used Tax Increment Financing (TIF) revenue for arterials and utilities. So far, Mr. Silverman said he is $2 million out of pocket for the development.

Mr. Silverman was also part of the effort in Albuquerque's Uptown to create a TIDD for Winrock that could use existing parking areas to help a suburban shopping mall turn into an urban, walkable district, complete with a mix of retail and housing.

Todd Clarke with NM Apartment Advisors has worked on ABQ Uptown – all phases – Albuquerque High School Lofts. He has experience a shift recently in what out-of-town prospective developers ask to see when they visit Albuquerque. Five years ago, developers used to ask first for infill opportunities where walkability was established or at least in progress. If those opportunities didn't pan out, they would look to greenfield areas on the edge of town where land costs might be lower. Now developers come to town and ask to see urban areas, and if those don't work, transit corridors. They no longer want to see the edge of town. Much of this interest is responding to a market shift toward "Millenials," a generation

with 10 million more people than the Baby Boomers, who are in their twenties and who look for urban living opportunities, where they can live within walking distance from where they work and play. When deciding whether to move to an area, Millenials look up its "walk score," provided by a website using an algorithm based on Smart Growth and New Urbanism principles. Manhattan has a walk score of 100; Rio Rancho's would be closer to 0. Employers, too, are looking to walk scores to decide where to locate. Walkability will be an increasingly important factor over the next 10 years. Mr. Clarke expressed that the Volcano Heights Sector Development Plan is based on the same principles, which position the area for success.

Mr. Clarke emphasized that the regional growth pattern is a huge, looming problem, since the West Side will gain 80% of the new population to the region, while the East Side will gain 80% of the region's jobs.

The speakers all encouraged property owners to find a catalytic project or consolidate either into a shared entity or unite behind a major property owner. Mr. Silverman said, "Volcano Heights is perfectly located for a job center. It is the City's last best hope for jobs on the West Side." But Volcano Heights has two main problems: (1) checkerboard ownership and (2) volcanic rock and soils. In both cases, only creative development ideas will work, with one developer empowered to make it work. Mr. Silverman worked on a housing subdivision just north of Volcano Heights. It was originally planned at a typical suburban scale, with relatively small lots and single-family houses. The amount of grading and earth work required to make this work made the project financially unfeasible. Instead, they only touched 20% of the lots, platted the subdivision to have 1-acre lots, made the houses much larger (much like the High Desert building envelopes), and built up the roads to bury the main sewer lines without having to trench down so far into rock.

One property owner asked if the speakers really see any of this happening in Volcano Heights. Mr. Bogas said yes, but not all at once. Montecillo has 40 phases. But he pointed out that if property owners don't get started, they will never succeed.