FINANCE

FUNDING POTENTIAL: PARTNERSHIPS AND VALUE CAPTURE

ANALYSIS SUGGESTS THE NEW BUS RAPID TRANSIT LINE (ART) COULD SPARK A POTENTIAL $2.9 BILLION OF REAL ESTATE (RE)INVESTMENT AND GENERATE SAVINGS OF AN ESTIMATED $1 BILLION FROM POVERTY REDUCTION, IMPROVED TRANSIT ACCESS AND OTHER EFFICIENCIES THAT BENEFIT EVERYONE IN ALBUQUERQUE. THE ART INVESTMENT IS EXPECTED TO CATALYZE JOB CREATION OF MORE THAN 9,500 JOBS ALONG THE CORRIDOR.

THIS SECTION PRIORITIZES INCENTIVES AND PUBLIC SECTOR PROJECT PIPELINES FOR HIGH YIELD DEVELOPMENT SCENARIOS OUTLINED IN THE STATION AREA CHAPTERS OF THIS ACTION PLAN, WITH RECOMMENDED ACTIONS TO STRUCTURE PUBLIC SECTOR FINANCING AND FUNDING MECHANISMS.

REVENUE AND RETURNS

ALBUQUERQUE IS EXPERIENCING TWO SIGNIFICANT CHANGES IN THE WAY IT GUIDES FUTURE GROWTH: A REVISION OF THE CITYWIDE ZONING CODE AND A MAJOR TRANSPORTATION INVESTMENT ALONG CENTRAL AVENUE. FINANCE STRATEGIES SHOULD SUPPORT POSITIVE CHANGE FOR THE MAIN STREET OF THE ALBUQUERQUE METRO.

The City typically receives revenue from its right to levy taxes and fees, from formula-based apportionments that determine annual funding levels, or by competing for intergovernmental discretionary funds. This section proposes complementing those measures by actions that:

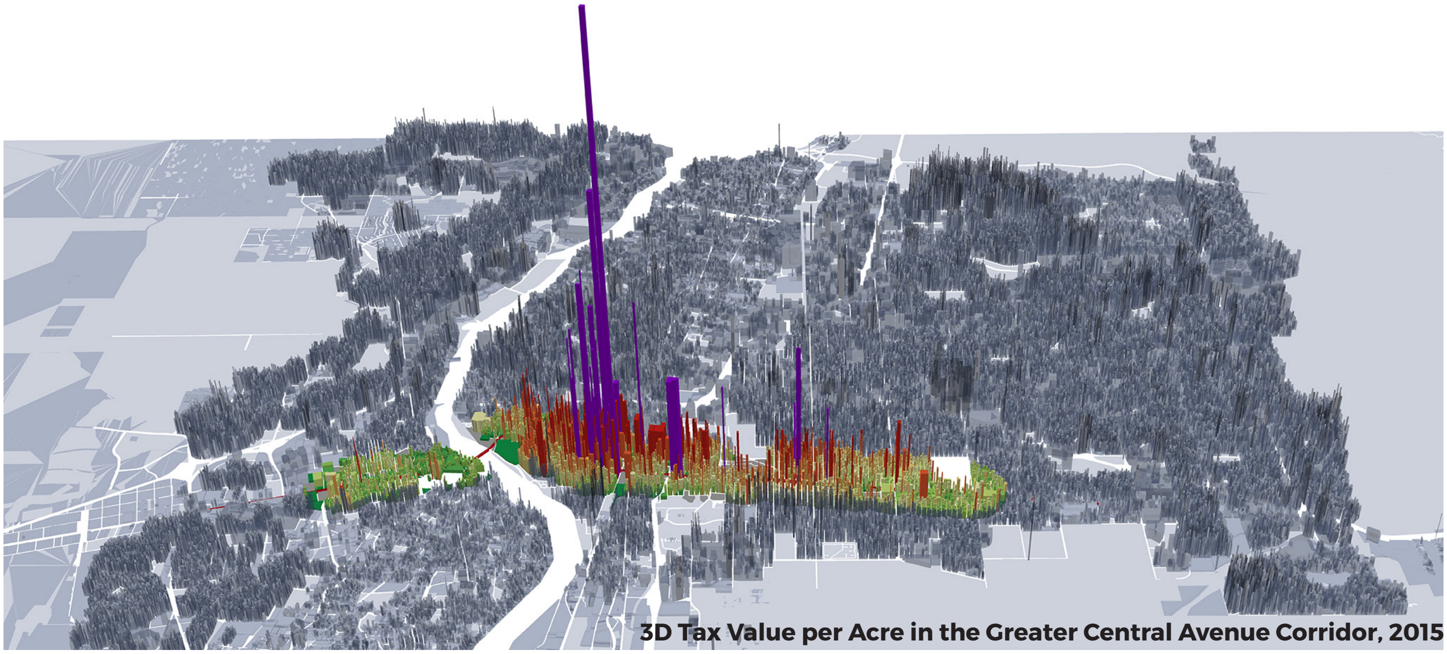
+ Intensify taxable development around transit stations.
+ Borrow against the likely resulting tax receipts to generate real time working cash.
+ Build wholesale allocations of credit through risk sharing mechanisms made available by Government Sponsored Enterprises.
+ Build effective demand for lending by local lenders and local branches of national lenders.
+ Exercise Albuquerque's right to bid on flexible funds being made available through NMDOT and MRCOG for which priority can be granted due to the FHWA's designation of Albuquerque as a Safety-Focus City based on the high crash rate along Central Avenue.
+ Secure potential support from the insurance industry in the form of premium or rate reductions as a result of implementation of complete street design that results in reduction of accidents and increased safety.

These sorts of strategic actions are intended to bolster private sector investments as well as revenues derived from Central Avenue BRT investments.

Additionally, Albuquerque has underutilized existing federal programs, as well as these new public resources probable to emerge:

+ Federal credit assistance for transportation and transportation-related investment including the Transportation Innovative Finance Investment Act (TIFIA) funds, and Transportation Investment Generating Recovery Act (TIGER) Funds.
+ Funds appropriated as a result of natural disasters ranging from flooding to drought.
+ Funds to meet a national housing policy goal such as that established by the new regulations accompanying the Fair Housing Act, intended to increase affordability and reduce segregation.
+ Funds for the planned restructuring of the nation's Government Sponsored Enterprises, including Fannie Mae and Freddie Mac.

This section first looks at the return on investment of the Central Avenue bus rapid transit in terms of increased property tax per acre, then identifies financial barriers along with actions to optimize value capture. ■



3D Tax Value per Acre in the Greater Central Avenue Corridor, 2015

IMPACT OF TRANSIT

FORECASTING FUTURE VALUE ALONG CENTRAL AVENUE

To call Albuquerque a unique city is an understatement. New Mexico's culture and natural environment is not replicated elsewhere in the United States. As the state's largest city and economic center, Albuquerque has many unique assets. However, Albuquerque shares similar challenges with countless cities across the American Sunbelt. To combat these challenges, such as cost of providing services, traffic congestion and access to economic opportunity, investments in multi-modal transportation has broken ground along the Central Avenue corridor. The Albuquerque Rapid Transit line will undoubtedly encourage new higher-density, walkable, mixed-use development within station areas. Albuquerque and Bernalillo County will be amongst the primary benefactors of new development and its additional tax production. What type of property tax revenue can the community expect to receive after ART is completed?

This section addresses the financial impact of dense development and the benefits of access to transit. Property tax data was utilitzed and the 3D value per acre model used as a foundation to forecast future property tax production after the completion of the ART line along Central Avenue.

The results of the analysis were clear. Unassuming, incremental residential developments were shown to generate potent tax value to the community. Two and three-story townhome/condominium developments in the Central Avenue corridor proved to produce more than 10-15 times the property tax revenue of a standard big box on a per-acre basis. Perhaps even more encouraging for the future of ART and its planning efforts is the amount of value already added within the corridor over the last 10 years, which outpaces the rest of the City. It is estimated that after full buildout (15-20 years), redevelopment nodes along the corridor will produce \$2.8M - \$15M in total annual property tax production.

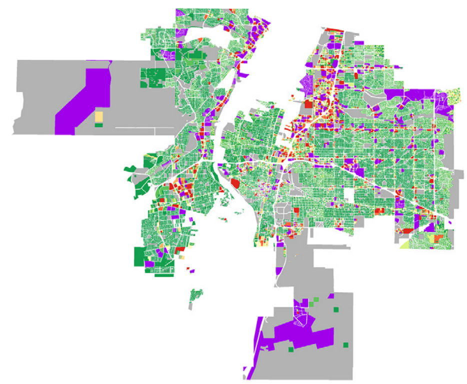
The foundation of the analysis is the value per acre method. Utilizing property tax data from Bernalillo County, property tax values of each parcel were processed, analyzed and visualized in a 3D Tax Value per Acre model. Taking into account how much land a particular development consumes enables different types of properties, in different parts of the community to be compared in an apples to apples manner. The more land a parcel consumes, the more public services it requires (streets, utilities, etc.).

This method of efficiency is not a foreign concept. In regards to automobile efficiency, the gallon is utilized as a unit of measure. Different cars have differently-sized gas tanks, so we use the gallon as a measurement of efficiency, not the size of the tank. In other words, we use *miles per gallon*, not *miles per tank* to make a relative comparison of cars and trucks. Using a per acre metric for land helps to better understand the potency of one parcel against its neighbor, as well as the entire city and county.

Visualizing tax value trends in 3D enables a different perspective on development across the community. Much of Albuquerque's recent growth has occurred on the periphery of the city in the form of large, single-use subdivisions, which require equally large public investments in streets and other municipal services. Amid the sea of expansive suburban development, however, dense urban developments have begun to spring up in Downtown Albuquerque and along Central Avenue. Many of these developments show up as purple values in the tax model, the highest value per acres in Bernalillo County. Put simply, these are the most revenue potent properties. 100 Gold Avenue is one such development, reaching $29.8M per acre, the highest value per acre in Bernalillo County and over 30 times the property tax potency of a standard big box shopping center.

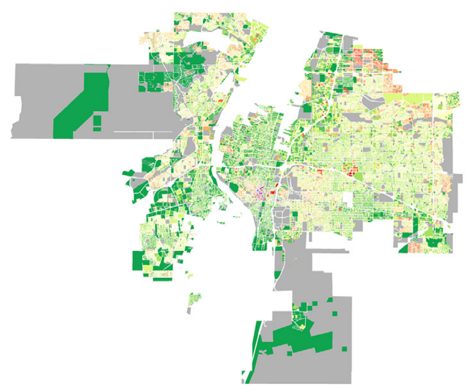
TOTAL TAX VALUE

"Miles per Tank"

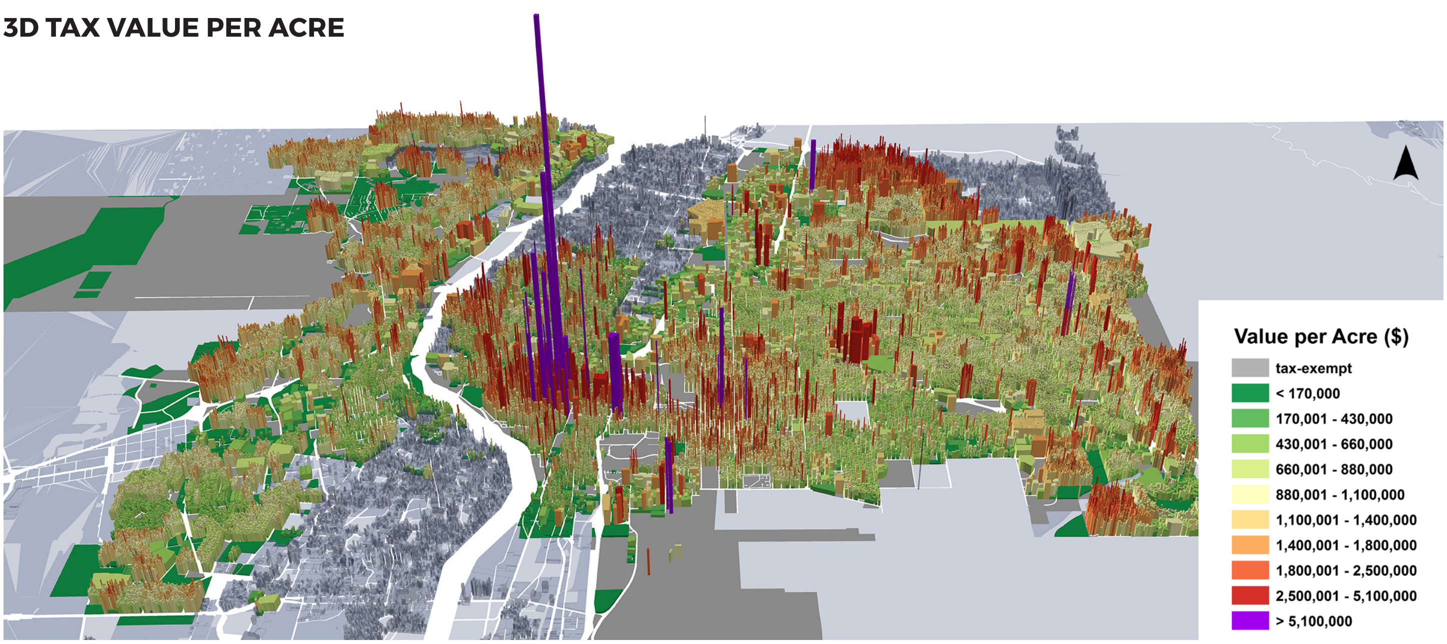


TAX VALUE PER ACRE

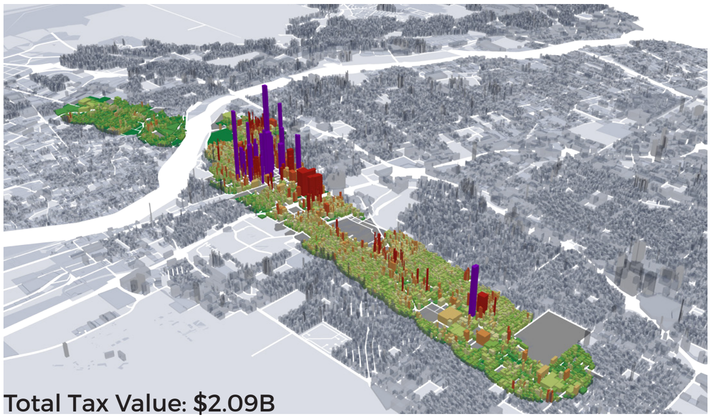
"Miles per Gallon"



3D TAX VALUE PER ACRE

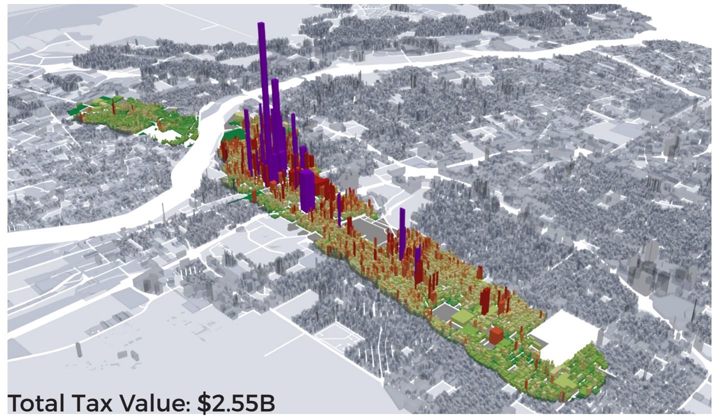


TAX VALUE PER ACRE
Central Ave. Corridor, 2005



2005

PROJECTED TAX VALUE PER ACRE
Central Ave. Corridor, 2017



2017

VALUE PER ACRE

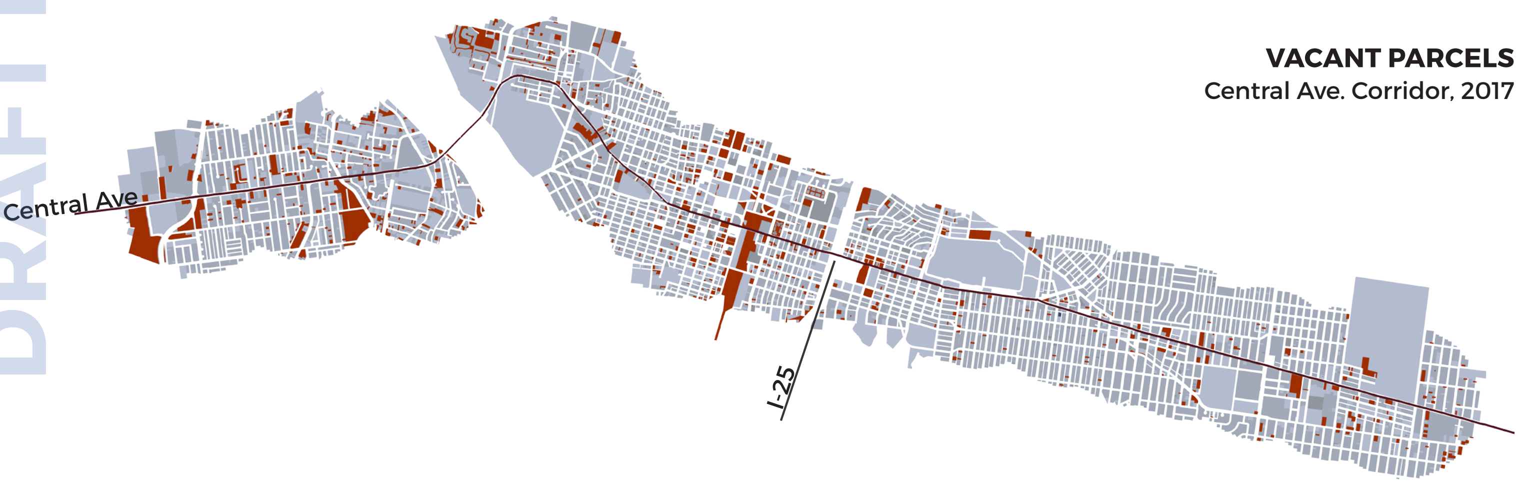
exempt	< 170,000	$170,001 - $430,000	$430,001 - $660,000	$660,001 - $880,000	$880,001 - $1,100,000	$1,100,001 - $1,400,000	$1,400,001 - $1,800,000	$1,800,001 - $2,500,000	$2,500,001 - 5,100,000	> $5,100,000

The focal point of the analytics were conducted along the Greater Central Avenue corridor. Half-mile buffers around each ART station were used to create a sphere of influence. The parcels in these half-mile zones are generally within walking distance of a station, and thus have direct access to transit.

Certain characteristics in the urban environment can have a significant influence on development, property values and taxes. The impending arrival of ART along Albuquerque's primary thoroughfare certainly suffices as an asset and amenity for future real estate development. Studies have shown that every community that receives a viable transit option with a high level of service experiences an increase in new development around stations, especially in urban cores. Albuquerque Rapid Transit provides a significant opportunity to catalyze new tax base around station areas.

Higher-density, mixed-use developments have already impacted tax yield along the corridor, particularly in Nob Hill. The 3D Tax Models above visualize value per acre trends in the corridor today, compared with prior conditions in 2005. Not every purple spike represents a large development project. Much of the growth in the corridor, particularly in EDo and Nob Hill, has come in the form of two and three-story structures. There are many opportunities for infill redevelopment in the area as well. The map below shows the distribution of vacant parcels across the corridor. Single-story structures with historical value and significance can be preserved, while new, urban developments are added to the area. Introducing access to transit in these neighborhoods will increase the number of developments and housing units in the area, which will not only generate new property taxes but also increase commercial activity and consumer spending along Central Avenue.

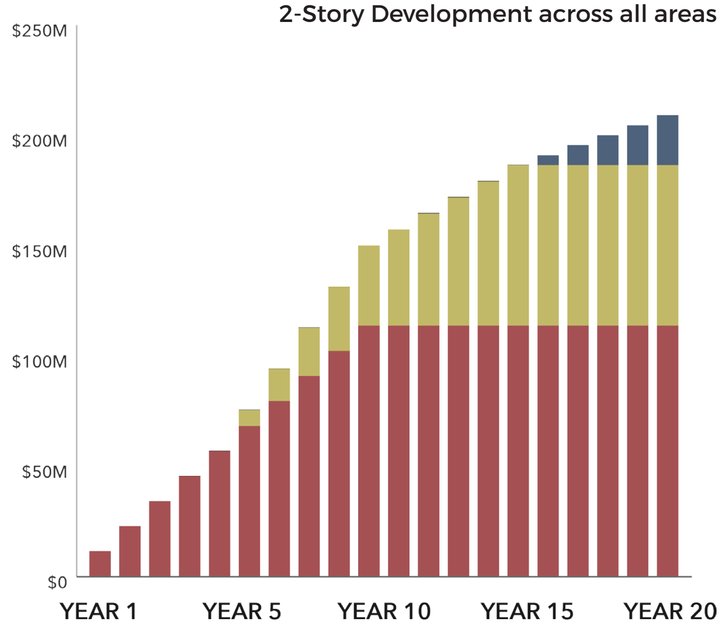
VACANT PARCELS
Central Ave. Corridor, 2017



Vacant Parcel

To estimate future tax production from new real estate development, this plan blended property tax data of existing conditions, market research, development figures which estimated the future building square footage added by varying designs in the station area chapters of this plan. Property tax production was forecasted for four redevelopment areas: Coors, Downtown-EDo, the University area, Nob Hill, and the International District (below). Sites within each area were a assigned a degree of redevelopment likelihood within the station area chapters. Each parcel shown in red is likely to be redeveloped, yellow parcels have a moderate probability of redevelopment, and areas shown in blue have a low chance of being redeveloped. These characteristics were taken into consideration as development and building value was projected into the future. 100% of land with a high-probability was forecasted to be developed over the first 10 years, while 50% of moderate likelihood land was estimated to be redeveloped (beginning year 6, through year 15). Only 10% of land with a low probability of redevelopment was projected to receive new building construction, with values assigned year 15 through 20. The chart to the right visualizes the incremental addition of building value into the marketplace. Despite having a relatively small physical footprint in the corridor, high-probability sites account for over 50% of all estimated future value.

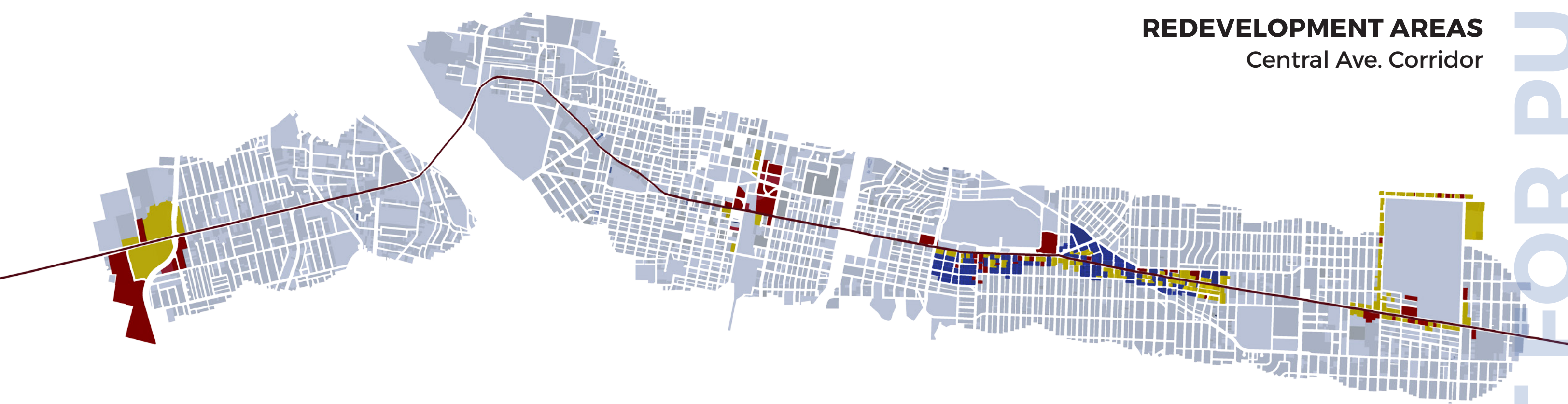
PROJECTED ANNUAL ASSESSED BUILDING VALUE
2-Story Development across all areas



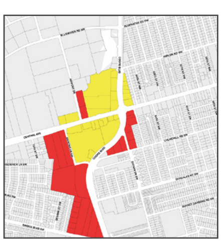
LIKELIHOOD OF DEVELOPMENT

54%	35%	11%
HIGH	**MEDIUM**	**LOW**
$113M	$73M	$22M

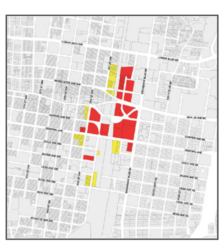
REDEVELOPMENT AREAS
Central Ave. Corridor



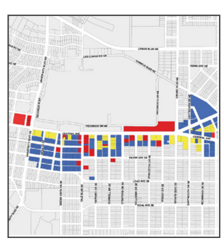
Coors Blvd



Downtown | EDo

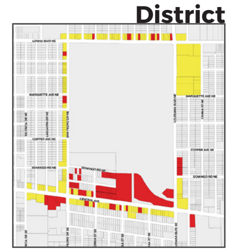


University



Nob Hill

International District



REDEVELOPMENT PROBABILITY KEY

High | Medium | Low

Nob Hill provides an excellent example of how future density impacts property value and property tax revenue production. The chart below illustrates the cumulative difference in property tax production over twenty years after the completion of ART. It is assumed that Nob Hill's key sites (sites that have a high to moderate probability of redevelopment) would bring $6.1M more tax dollars to the community if developed as three-story development over 20 years when compared to one-story development. Additional value is produced not just from building height, but also incorporating a mix of uses into the same structure. Mixed-use developments, particularly in vacant parcels, are estimated to bring considerably greater value per acre than single-story structures. Nob Hill's future redevelopment and subsequent fiscal conditions were visualized as a forecasted value per acre model below. Even encouraging two-story infill redevelopment in the neighborhood will generate wealth similar to what Downtown Albuquerque produces today.

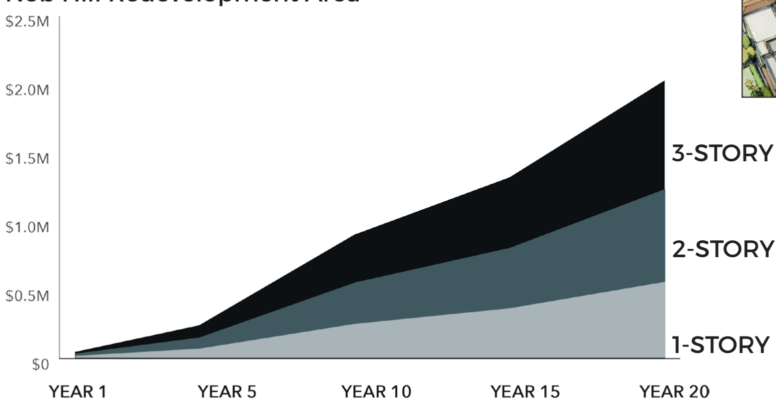
Current Conditions: Central and Girard

Illustrative Potential: Central and Girard, Existing conditions above

Redeveloping Nob Hill's key sites as two-story structures would produce over $6.1M more tax dollars to the community over 20 years.

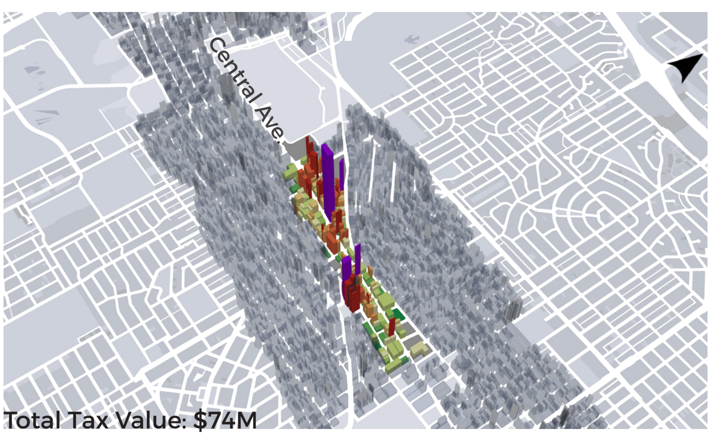
ESTIMATED TOTAL ANNUAL PROPERTY TAX PRODUCTION

Nob Hill Redevelopment Area



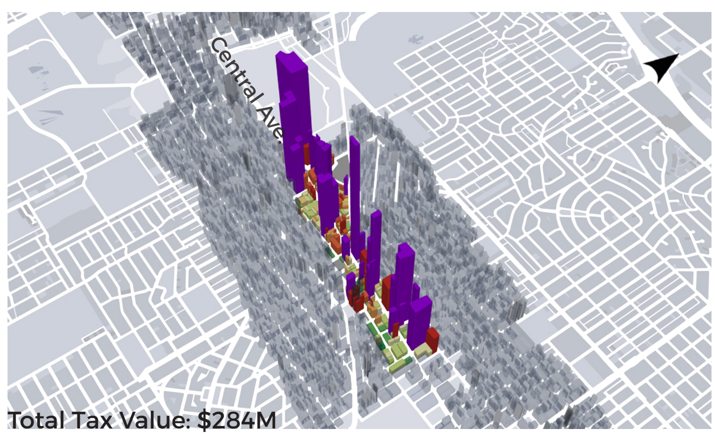
TAX VALUE PER ACRE

Nob Hill, 2017



PROJECTED TAX VALUE PER ACRE

Nob Hill, 2027



VALUE PER ACRE

2017 **2027**

exempt	< 170,000	$170,001 - $430,000	$430,001 - $660,000	$660,001 - $880,000	$880,001 - $1,100,000	$1,100,001 - $1,400,000	$1,400,001 - $1,800,000	$1,800,001 - $2,500,000	$2,500,001 - 5,100,000	> $5,100,000

FUNDING POTENTIAL

FINANCIAL BARRIERS TO EFFECTIVE IMPLEMENTATION

Transit and walkable urban places reduce the cost of living and increase return on the City's infrastructure investments. Residents currently spend $2.4 billion annually on transportation, or $72 billion over 30 years. The potential exists for ART to result in $1 billion in household savings over its first decade of operations, thanks to reduced travel needs because of transit, biking, and walking. The new transit line is estimated to catalyze a potential $2.9 billion of real estate development and to catalyze job creation of more than 9,500 jobs along the corridor. However, funding barriers exist to realizing both the reduction in household expenditures and the increase in development activity.

ART has the potential to contribute to economic vitality and reduction of poverty. A recent study found that improved jobs access, household expense reduction, attracting and retaining jobs-near-transit, workforce development from infrastructure investments could reduce the number of people in poverty in Albuquerque by 21,123. The cost of living reduction from enhanced transportation choice as the result of ART, the Integrated Development Ordinance, and from the city's commitment to transit oriented development can benefit households and businesses along Central Avenue and throughout Albuquerque.

Three separate analyses performed for the City of Albuquerque, "The Scale of the Prize" by Center for Neighborhood Technology in 2016, the IDO Retail Review by the Gibbs Group in 2016, and the Review of Central Avenue TOD Plans by Urban3 in 2017, show that tax value per acre of development is up to 30 times higher under the new Integrated Development Ordinance, depending on site use and intensity. This section looks at the financial barriers to achieving this added value.

DOWNTOWN ALBUQUERQUE PHOTO **FREEABQIMAGES.COM**

B.01

Public funding does not prioritize walkable, transit-served urbanism.

The higher property tax per acre demonstrated for the walkable urbanism in the previous pages is not aligned with public funding priorities.

A.01

Make Premium Transit Corridors a priority for public investment, and seek prioritization by lenders in dedicating resources to TOD. The Integrated Development Ordinance specifies Central Avenue as a Premium Transit Corridor, creating a priority zone for investors, developers and public agencies. The demand for energy, water, stormwater management and transportation services will change with intensification of these corridors. Also changing is technology, making it possible to significantly increase the efficiency of use in these resources. Anchor institutions and major employers are developing ecodistricts of integrated sets of utility services within their properties, which along with an increasing demand for greener living, is changing how and where to build.

Albuquerque should convene utility managers, technology innovators, and investors including NM-MFA, NMDOT, MRCOG, Workforce Housing Trust Fund and CDFIs, to explore methods of prioritizing investment along the ART to maximize net public benefit. This should include representatives of governing bodies and of the New Mexico Public Regulation Commission. To the extent that capital access is a barrier to advancing place-based utility services, the city should explore uses of pre-development funds designed to address this purpose.

B.02

Public funding sources are not in place to implement this Action Plan.

The 1978 New Mexico Tax Increment for Development Act authorizes the creation of Tax Increment for Development Districts (TIDDs) which can finance against future stream revenue for local infrastructure development. This could include municipal and utility services infrastructure along the ART, expanded transit services including service extensions, expanded services intended fill "first and last mile" gaps in the system, and construction of the walkability and bikability amenities identified and designed in the station area chapters of this plan.

A.02

Create a Tax Increment for Development District (TIDD) within the Central Avenue Premium Transit Corridor.

The City should convene a working group of finance experts and key community leaders to help specify an enabling mechanism that can help maximize leverage on the funding streams generated by the creation of a corridor TIDD.

A community-led TIDD must be approved by city council, with signatures of at least 50 percent of the owners of real property in the proposed district along with the approved plan. The City of Albuquerque can also adopt a resolution on its own accord to form a district without the petition. The development plan must outline how the plan will stabilize the local economy, help create jobs, accommodate schools and housing, and generate tax revenues for improvements. In addition, the project must demonstrate innovative planning, incorporate sustainable principals, and fit with the long-term planning of the local government.

Once a district has been formed and a board elected, the state will recognize the district as a political subdivision separate from the municipality and divert the incremental revenue. If a district is using gross receipts tax revenue, the Taxation and Revenue Department will divert the state's share of gross receipts tax collection as well as the increment if approved by the Board of Finance. To approve the gross receipts tax diversion, the board must find that approving the increment is in the best interest of the state and will create jobs and generate new revenue through increased economic activity. https://www.nmlegis.gov/Entity/LFC/Documents/Finance_Facts/finance%20facts%20tidd.pdf

ESTIMATING POTENTIAL YIELD FROM A CENTRAL AVENUE TIDD

A conservative estimate of development value along Central Avenue from infill and redevelopment is $2.9 billion, based on cost of land plus construction, see below. Local developers indicate a market value of 1.26 times that amount, an assessment basis of one-third of market value, and a typical levy of 1 percent of assessed value yields an estimated annual levelized property tax stream of $12.3 million. Presuming that the ratio of gross receipts tax yield to property tax yield is on a par with that received citywide, the total yield of gross receipts tax and property tax would average $43.1 million annually.

Urban3 estimated the increase in value resulting from the re-use of vacant land within the buffer created by the Premium Transit Corridor designation of Central Avenue in the newly approved IDO for certain representative station areas.

In this scenario, taxable market value of $3.69 billion is being added to an initial value of $5.34 billion spread along the 15 mile Central Avenue corridor within a 5/8 mile buffer from Unser to Tramway, resulting in a total corridor market value of $9,032,805,989. This is an overall increment amounting to 69 percent of current market value.

Projected Development Value

STATION TYPE	NEW RESI-DENTS	NEW RES. UNITS	NEW OFFICE JOBS	NEW RETAIL JOBS	LAND PLUS CONSTRUC-TION COST	MARKET VALUE
Urban	2,169	1,146	5,108	1,664	$917,219,750	$1,155,696,885
Transitional	3,003	1,444	573	502	$331,424,286	$417,594,600
Suburban	12,263	4,690	432	1,313	$1,683,798,595	$2,121,586,230
Total	17,435	7,280	6,113	3,479	$2,932,442,631	$3,694,877,715

That is an amount, for illustration purposes only, that would amortize $851 million structured in a 30 year financing at 3 percent interest rate (or $670 million at 5 percent, respectively). This amount is a conservative estimate. The basis for the estimated market value of $2.93 billion in construction and $3.69 billion in market value is the development intensity allowed under the pre-IDO zoning.

This conservatively assumed no increase or change (e.g. from depreciation of non-redevelopment property) over the projected periods. Under this scenario, if full development can be accomplished within 10 years, the annual increase in market value of property would be 6.9 percent. If build out occurs over 20 years, the rate drops to 3.45 percent.

5/8 MILE ART CORRIDOR	VALUE	NOB HILL (URBAN3)	VALUE
2015 Total Assessed Value	$5.34 billion	2017 Total Assessed Value	$74 million
Projected Value of New Development	$3.69 billion	Projected Value of New Development	$210 million
New Total Assessed Value	$9.03 billion	2027 Total Assessed Value	$284 million
Percent Increase	69%	Percent Increase	284%
10 year Build Out	6.9%	10 year Build Out	28%
20 year Build Out	3.5%	20 year Build Out	14%

Not all areas of Central Avenue will achieve the same levels of development intensity. Referring to the analysis by Urban3 of potential development intensity and value in a constrained area adjacent to Central Avenue within the Nob Hill community, it would be misleading to suggest that the IDO would result in equivalent high potential value-per-acre across the entire 15-mile corridor. However, because the total inventory of potentially re-developable land is larger in the Suburban station areas than in either the Urban or Transitional areas, a larger potential increase in aggregate value could occur.

While the station areas and neighborhoods further to the east and west are of overall lower density and activity levels now than is the case with station areas Downtown and in nearby neighborhoods, there is considerably more land susceptible to redevelopment in those currently lower density areas to the east and to the west.

On a sensitivity analysis basis, over the full 15 mile corridor, compared with the prior zoning, if the IDO entitles two times the development intensity allowable under prior zoning, this would result in an incremental market valuation of $7.38 billion, an incremental assessed value of $2.46 billion, and a tax increment yield from the combination of increased property taxes and Gross Receipts Taxes of $86.2 million annually or $7.18 million monthly. This amount could amortize a total of $1.71 billion at a 3 percent interest rate, or $1.325 billion at 5 percent.

If the rate of increase in valuation implied by the Nob Hill analysis is representative, then 4 times the development intensity previously allowed, all other things being equal, would double those amounts yet again.

The recent update to population and jobs projections suggests that prudence should be exercised in making these calculations. Neighborhoods with strong potential demand could experience rapid development, and in those cases a 10 year build out may be feasible. Absent growth in the regional employment base it may take 20 years overall to achieve Central Avenue infill potential.

GETTING STARTED ON A CENTRAL AVENUE TIDD

The City can, under current law, establish a Central Avenue TIDD to set the table for this financing. It might choose to dedicate a portion, say one-half to General Fund purposes, and one-half to a set of purposes to further the City's goals associated with better transportation choices and station area development.

That second half could also be structured to favor projects which can further attract matching funds various grant-making and lending sources, whether public, private or both. This would result in an increase in available funds compared to simply spending down the bond proceeds.

It might be branded as the Central Avenue Community Benefits Bank, and it could be replicated as advanced transportation services are programmed along the other two Premium Transit Corridors, Paseo del Norte and University/I25/Jefferson.

The City should form a working group to further explore and recommend specifications for this financing source.

B.03

Land assembly can be challenging because of the historic character of many of the properties along Central Avenue.

Often individual lots are too small to accommodate the required structured parking that is needed to achieve the higher yield form of a walkable urban place, as detailed in the sections of this action plan that are specific to individual station areas.

A.03

Create mechanisms for effective land assembly, which may include land trusts, land banks, pre-development funds to reactivate underutilized properties. The availability of land along Central Avenue for higher density, mixed use, walkable urbanism is significant, assuming half of surface parking is available for development.

LAND SUSCEPTIBLE TO INFILL	URBAN	TRANSITIONAL	SUBURBAN	TOTAL STATION AREA
Vacant Acres	23.19	26.97	387.86	438.02
Underutilized Lots	80.73	83.32	631.52	795.57
Parking	8.91	3.56	2.69	15.16
Underutilized Less Half Parking	76.28	81.54	630.18	788
Vacant + Underutilized	99.47	108.51	1018.04	1226.02

Properties can become vacant for many reasons: abandonment, demolition of previous buildings, tax liens resulting from delinquency and non-payment, and tax foreclosure. Property may have been purchased for public improvements or for buildings that was never utilized, or legacy public facilities such as schools may have been subject to consolidation, among other reasons.

Many cities and counties nationally have created programs to ease disposition and sometimes assembly for redevelopment of vacant properties. In some states, the right for local government to enter "non cash bids" for such properties is a mechanism intended to facilitate property reuse. Property taxation and disposition of property is handled by the State of New Mexico through the New Mexico Taxation and Revenue Department and by Bernalillo County.

Since volumes of available vacant properties are large and because of the complications of land assembly, various jurisdictions and organizations have developed specialized programs to aid in this task.

LAND BANKS

A land bank acquires, holds, and transfers interest in real property to promote redevelopment and reuse of vacant, abandoned, foreclosed or tax-delinquent properties; supports targeted efforts to stabilize neighborhoods; and stimulates residential, commercial and industrial development, all in ways that are consistent with goals and priorities established by local government partners and other community stakeholders.

Working independently with the request of municipal and other partners, land banks acquire properties, liens, notes or deeds through purchase, donation, forfeiture and other transfers. Land banks will hold title and maintain properties tax free, will extinguish delinquent taxes and liens as permitted by law, and, in some cases, demolish/deconstruct buildings, with the intent of preparing property for conveyance back to the market or to other uses. Land banks will also lease/adopt interim uses for properties as necessary and appropriate.

LAND TRUSTS

Land trusts are mechanisms that can provide for the separate ownership of land from the buildings on top of that land, resulting in increased stability of ownership and community character over time (see http://community-wealth.org/strategies/panel/clts/index.html). Over 120 such organizations, non- profit organizations which have Section 501c3 federal tax exemptions, are members of the National Community Land Trust Network which joined forces this year with Cornerstone Partnership to form the Grounded Solutions Network. See www.cltnetwork.org.

There is one urban community land trust in Albuquerque, the Sawmill Community Land Trust, covering 27 acres north of Uptown and south of I-40. The Trust is described at http://www.sawmillclt.org/ and a case study is at http://albuquerque.about.com/od/neighborhoods/i/landtrusts.htm .

Other New Mexico Community Land Trusts include the La Mesa and Mil Abrazos CLTs in Albuquerque; the Santa Fe Community Housing Trust in Santa Fe, and the Tierra Madre in Sunland Park, in Dona Ana County. These are all described with contact information at http://www.centerforneweconomics.org/content/community-land-trusts-directory.

PRE-DEVELOPMENT FUND

+ Create and support a new fund that can blend patient capital from the city, Bernalillo County, MRCOG, utilities such as PNM, the water authority and social impact investors including foundations to help finance the acquisition and pre-development improvements of such properties.
+ Create a profile for Albuquerque as a nexus of opportunities for emerging impact investor consideration and targeting.
+ Create a finance design forum to develop a pre-development financing mechanism for Central Avenue and other Premium Transit Corridors in Albuquerque.

The need for pre-development financing exists because it can take from 5 to 7 years to acquire, entitle, prepare, construct and fully occupy higher density mixed use properties. This is known as the pre-development period. No mechanism currently exists in Albuquerque to help finance these activities, which both raises the cost to develop and lowers the likelihood of success.

IMPACT INVESTING PROVIDES NEW RESOURCES FOR DOING WELL AND DOING GOOD

During the last two years, there has been tremendous interest nationally on the part of foundations and socially-screened investment funds in impact investing. For example, the Ford Foundation announced that it would devote 12 percent of its assets or $1 billion toward impact investments. A new association, the Mission Investors Exchange, has been created to serve as a forum for this investment practice as well as to highlight specific investment opportunities. Summaries by leading investor/practitioners are published monthly in the Stanford Social Impact Review in a new series, Mission Possible. Impact investing is also known as "pay for success" financing. The basic idea is to "purchase" the outcome desired, defined by a pre-determined set of performance measures.

DOUBLE BOTTOM LINE INVESTMENT FUNDS

Similarly, in the late 1990s, the Bay Area Family of Funds was created to provide such resources to help address poverty in that region's 42 communities which exhibited persistent poverty. Investments could address such opportunities as transit oriented development, small business development and land recycling. $200 million was raised from banks, corporations, foundations and government for this purpose. Three investment funds were managed by SEC registered investment advisors, who in turn agreed to use "double bottom line" term sheets which addressed both profitability and a set of community-defined benefits. Inspired by this effort and an earlier one in Massachusetts dedicated to creative financing of affordable housing, some $5 billion was invested through such funds in the early 2000s across the United States.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

Similar community-conscious investments capitalize a variety of revolving loan funds, community development banks, credit unions, and venture capital funds. Collectively, these are known today as Community Development Financial Institutions (CDFIs), which are eligible for federal investment and capital access to resources from the CDFI Fund operated by the U.S. Department of the Treasury. There are 14 CDFIs in New Mexico, of which Accion New Mexico, New Mexico Community Capital, New Mexico Community Development Loan Fund, Ventana Fund and the Women's Economic Self-Sufficiency Team are located in Albuquerque. Since 1996, the CDFI Fund has awarded $36 million in grants to New Mexico CDFIs and an additional $201 million in New Markets Tax Credits has been awarded to these same organizations. See: http://www.cdfi.org/wp-content/uploads/2013/02/New-Mexico-.pdf

PRE-DEVELOPMENT FINANCING BOOSTS AFFORDABLE TOD FEASIBILITY: PRECEDENTS

Several precedents for equitable pre-development financing provide models that may be useful in Albuquerque.

The Transit Oriented Affordable Housing (TOAH) Fund operates in the San Francisco Bay Area. It was created out of a stakeholder engagement process known as the Great Communities Collaborative at the San Francisco Foundation, a community foundation. The Fund was capitalized initially with $50 million, with an initial $10 million from the Metropolitan Transportation Commission, that region's metropolitan planning organization (the equivalent of MRCOG in Albuquerque) and of the remainder, half from a network of six Community Development Financial Institutions plus the Ford Foundation and local community foundations, and half by Citibank and Morgan Stanley. The Fund is managed by one of the CDFIs, the Low Income Investment Fund. It purchases and arranges for the financing of pre-development costs associated with developing affordable housing within walking distance of mass transportation. Property is held for up to seven years to give each affordable housing developer the "runway" to fully entitle, build, operate and "rent up," at which time the property will be conveyed back to the developer. In effect, this creates an off-balance-sheet finance mechanism for risk sharing in the development of affordable TOD.

A similar fund is operated by Enterprise Community Partners in Denver, the TOD Fund, and others are under consideration or in development in Seattle, Los Angeles and Boston. See: http://bayareatod.com/

The Reinvent Phoenix project developed a citywide comprehensive plan focused on station areas and equitable TOD within their light rail corridor. As part of that effort, a design for such a fund was crafted to provide pre-development capital for infrastructure in areas served by transit with insufficient infrastructure quality or capacity. This is envisioned as a longer-range commitment that is not yet funded in Phoenix. A recent summary presentation is at: http://www.summit.ecodistricts.org/wp-content/uploads/2017/03/1-Beyond-TIF.pdf

B.04

Financial instruments are better equipped to fund single use suburban development patterns. This action plan addresses the need for marketplace readiness to finance the market-preferred walkable urban product types.

Achieving the opportunity associated with developing the estimated $2.9 billion in construction along ART over a 10 to 20 year period will result in the design, permitting, and construction of between 51 and 102 buildings per year.

There is relatively little local experience with developing, investing in, and approving such development. The availability of capital from depository financial institutions such as banks and savings and loans has been constrained since the recession. Lenders are dependent upon secondary market purchases by the two large Government Sponsored Enterprises, Fannie Mae and Freddie Mac, and advance funds provided by the 11 District Banks of the Federal Home Loan Bank System, and on the ability to secure loan insurance provided by the Federal Housing Administration. There are limits on how much space in a mixed use building can be commercial if purchased by Fannie Mae or Freddie Mac or insured by FHA which result in minimum heights of 4, 5 or 10 stories respectively. FHA and Freddie Mac have pilot programs intended to lower these heights and restriction which can address this barrier.

A.04

+ Create a finance forum to nurture a larger pool of effective investors and developers by building awareness of and competency in using emerging best practices. Use this forum to make connections within a working community of practice in Albuquerque focused on making walkable urban development patterns a reality.
+ Open regular channels of communication with "wholesale" lenders and credit enhancement resources and financial services regulators including FHA, Freddie Mac, Fannie Mae, and the Federal Housing Finance Agency.
+ Enlist FHA, Freddie Mac, Fannie Mae and the Federal Home Loan Bank of Dallas to support for innovative finance

and portfolio purchase of lower-rise higher-density mixed-use TOD along Central Avenue. Use these credit-enhancement and risk-sharing tools to better use “home grown” capital sources including local credit unions, banks and community development financial institutions.

+ Build awareness of the potential market demand in Albuquerque among financial services institutions and build capacity of developers and investors to use these tools.
+ Use Current Federal, State and Regional Interest in Safety to Support Walkable Urbanism Use Albuquerque’s FHWA Safety-Focus Cities designation to accelerate investment in safe walkable urbanism. Designate TIDD proceeds to help secure the future of locally-owned businesses.

A handful of sophisticated developers in Albuquerque are finding capital for individual projects from credit unions. Affordable housing developers are further able to use Low Income Housing Tax Credits granted competitively by the Mortgage Finance Authority of New Mexico, which was used by Geltmore LLC and Yes Housing in developing the Imperial downtown. The Affordable Housing Grants Program of the Federal Home Loan Bank of Dallas provides 10 percent of its annual profits for such purposes, used recently, for example, for seniors housing in Santa Fe by the Santa Fe Civic Housing Authority and to develop Village in the Bosque in the town of Bernalillo.

A finance forum should be convened to build awareness of and competency in using such emerging best practices and build a working community of practice around those in Albuquerque focused on making the desired walkable urban development pattern a reality.

The proposed forum would build competency among a broader range of developers and investors to use these tools thereby accelerating the pipeline of infill projects along the Central Avenue ART and generally along the Premium Transit Corridors.

PROJECT PIPELINE

Prioritized public sector project pipeline for various station area investments brought to light during this planning process:

SHORT TERM

Smaller commercial spaces in Atrisco and Coors for local business incubation and acceleration.

Pedestrian connections between Old Town and both Central Avenue and Tiguex Park.

Temporary testing of street section designed for Romero at Plaza Street in Old Town.

Historically appropriate shade structure at Walter Street station.

Safe pedestrian and cycling routes in University area, considering demographics.

Preserve the character of Nob Hill, protecting historic and contributing structures from tear-downs.

NEAR TERM

Coors area projects that bolster a sense of place, a strong center, and meaningful locations for community events.

Community spaces in Atrisco for gathering and celebrating special cultural occasions.

Remove parking requirements for 30' deep buildings to enable infill of the city parking lot at Central Avenue.

Implement the *Downtown Walkability Study* in Downtown and EDo.

Build makerspaces along the tracks in EDo to support growing small businesses.

Implement shared parking across multiple sites and owners in EDo.

Improve pedestrian and bicycle connections between EDo and Downtown.

Support development of the south edge of UNM to create safe and engaging spaces along Central Avenue.

Support local-serving commercial shops and eating establishments, not drive-throughs, in University.

Support Central and Girard as a gateway to Nob Hill, active with people and reflecting community character.

International district projects that build a sense of place, a strong center, and meaningful locations for community events.

EXPO New Mexico site projects that move the land toward becoming the City’s “Central Park.”

LONG TERM

Encourage a diversity of building types to ensure inclusive neighborhoods in all station areas.

Focus on Downtown development along Central Avenue to maintain a continuous vibrant pedestrian and retail experience.

Support the empty parcels at Walter to develop to their highest use in EDo.

Preserve the character of Silver Hill and restore the character of University Heights in EDo.

Encourage small infill buildings along currently empty street frontages in Nob Hill to support the street presence along Central Avenue.

Encourage redevelopment of Central, Louisiana, San Pedro, and Lomas to mixed use, supporting surrounding International district communities.