

Property Development 101

New Mexico Main Street

Economic Development Department

Derrick Archuleta

Rhea Serna



“Everything I Wish I Knew About Property Development . . .”

New Mexico Main Street

NM Economic Development Department

Derrick Archuleta

Rhea Serna



Derrick Archuleta and Rhea Serna

PROPERTY OWNER

BANK OF AMERICA N A
PO BOX 54285
IRVINE, CA 92619

AGENT

DERRICK ARCHULETA
ARCH & PLAN LAND USE CONSULTANTS L
6565 AMERICAS PK WY STE 200
P.O.BOX 25911
ALBUQUERQUE, NM 87125



Rhea Serna

Expanding organizations' capacity to improve people's lives
Santa Fe, New Mexico

Fundamentals of Property Development

- 
- 8:30 – 9:20: Overview of Property Development and Community Initiated Development

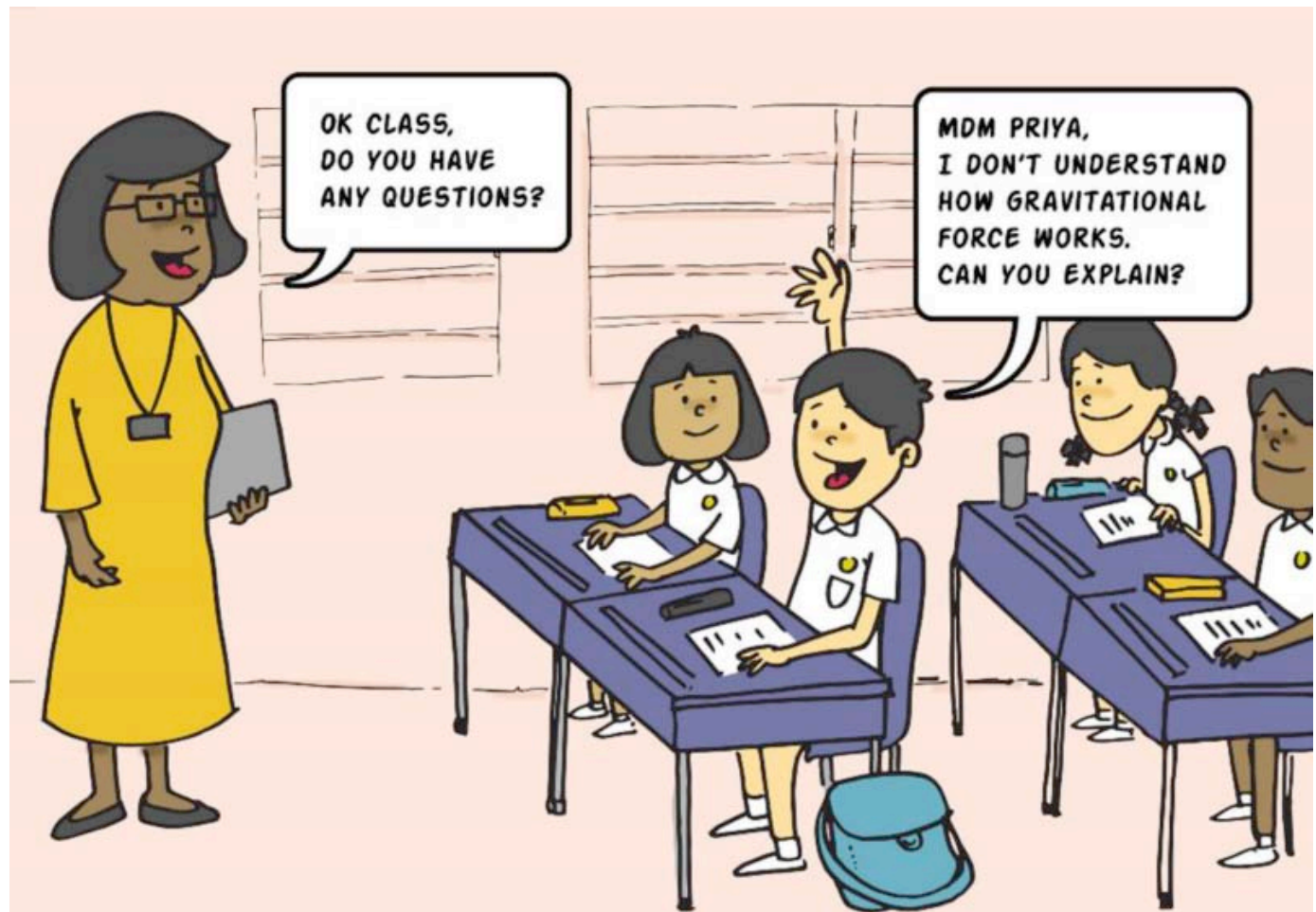
- 
- 9:20 – 10:00: Land Use Plans, Permitted Uses, Site Review Processes, Zoning and Regulatory Issues

- 
- 10:00 - 10:45: Predevelopment and Feasibility Planning

- 
- 11:00 - 11:10 Avis Building Overview
 - 11:10 - 12:00 Concept Phase Exercise

Ground Rules

- Ask Questions!
- We're here to learn from one another



Part 1

- Overview of Property Development
- Introduction to Community Initiated Development

Property Development

Overview

The continual reconfiguration of the built environment to meet society's needs.

OR

Buy Property + Increase **Value** + Sell = Profit

Property Development

Value: what potential participants in the marketplace or willing to pay for the right to use, buy, occupy, or lease property



Real Estate Development Process

1. Initial Market Research
2. Organize Development Team
3. Site Plan
4. Feasibility Analysis
5. Acquisition
6. Pre-application Meetings with Agencies
7. Re-do Feasibility Studies
8. Close on Property
9. Begin Permitting Process
10. Acquire Financing
11. Get Construction Bids
12. Confirm Market Assumptions
13. Re-do Feasibility Studies
14. Complete Permit Process
15. Complete Final Feasibility Studies
16. Start Construction

PLANNING

**PRE-
DEVELOPMENT**

CONSTRUCTION

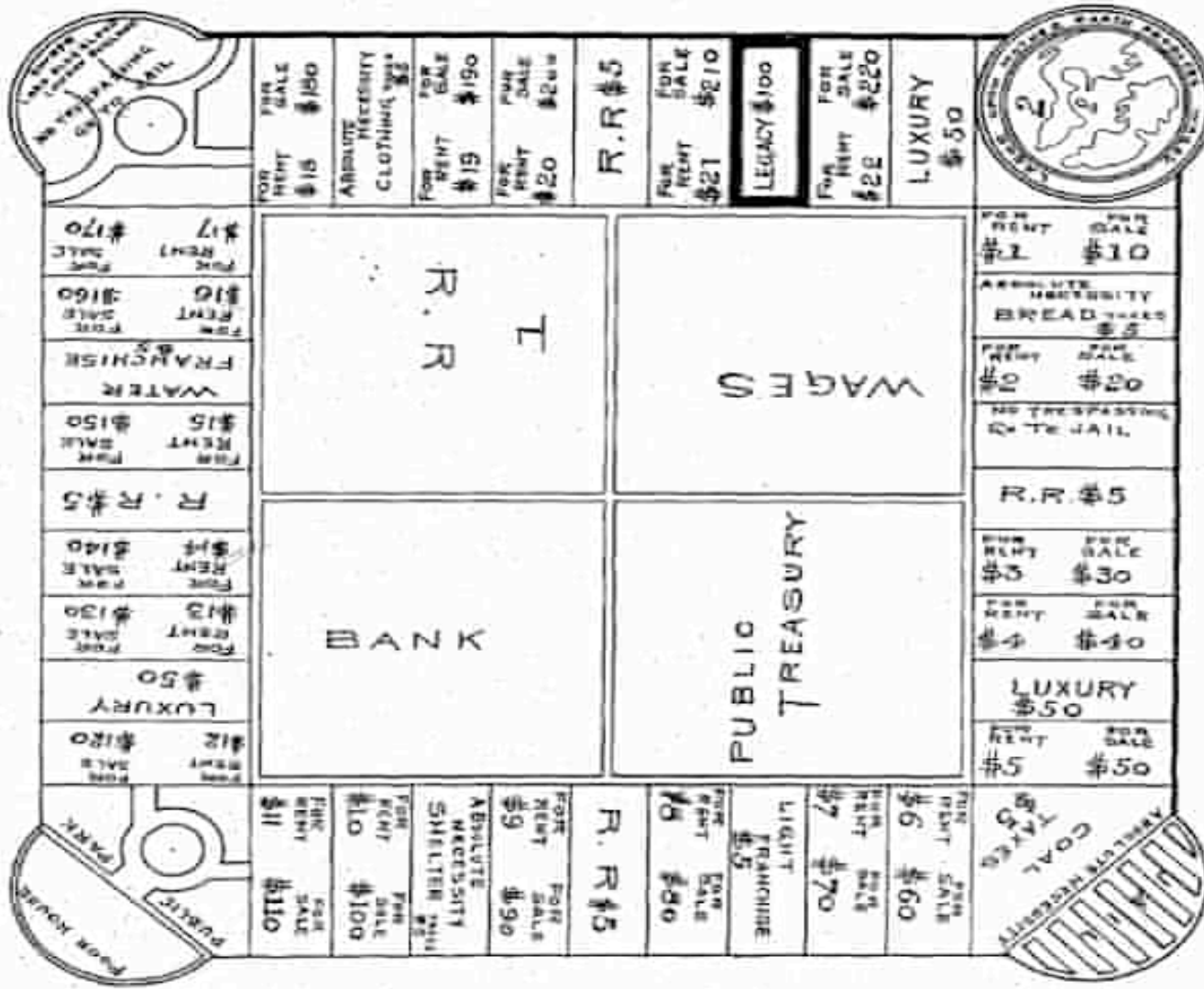
Real Estate Development Process

Municipal-Led Placemaking Project Task Line



The development process is the series of steps that turn an idea for a development into a completed project.

The Landlord's Game



For-Profit vs. Non-Profit



For-Profit or Non-Profit



RISK – Political Capital

Group looks for recall of city representative

Centro Chicano, an organization headed by Segundo Barrio activist Carmen Felix, started a petition drive Tuesday for the recall of South-West city Rep. Beto O'Rourke.

At issue, Felix said, is O'Rourke's support for the Downtown redevelopment plan put forth in March by the city and the Paso del Norte Group.

David Crowder



El Segundo Barrio , El Paso: “The Other Ellis Island”

RISK – Financial Capital



Court Ordered Sale! Auction Date November 7, 2017

Santa Fe Railyard

Property Developer

Private Sector



MainStreet Property Developer

*Committing your expertise to
converting a **community identified
property** from its current use to a
higher and better use.*

COMMUNITY INITIATED
DEVELOPMENT
CID

MainStreet and/or CID Property Developer

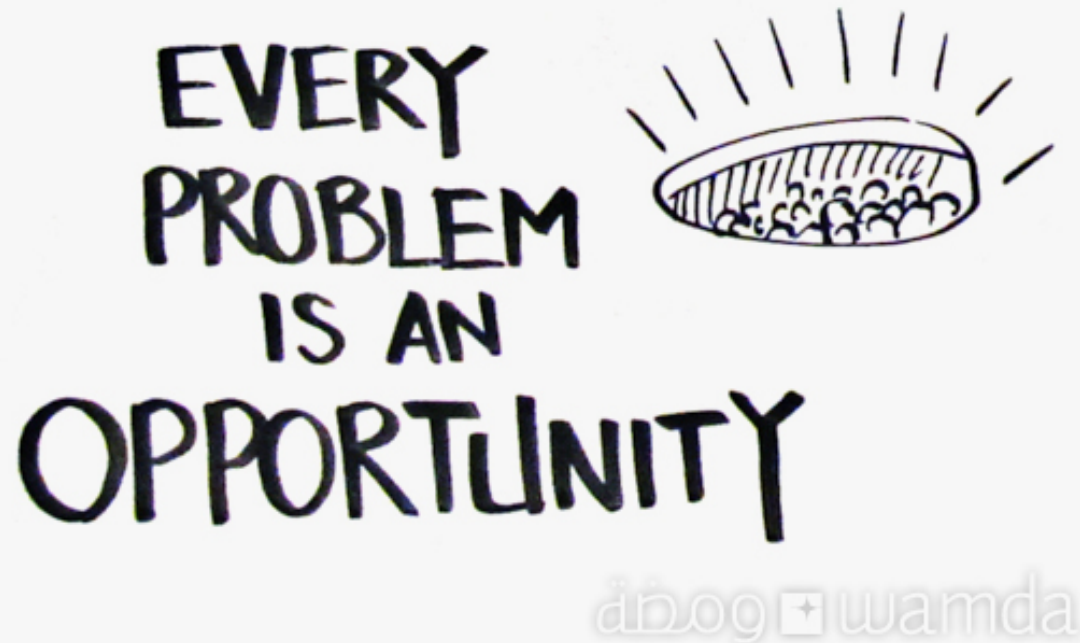
- Operates as a “co-developer” in a team
- More communal
- Less hierarchical
- Gains consensus on

**WHAT IS IMPORTANT IN
THE COMMUNITY**



MainStreet Property Developer

- Identifies a *problem* as an OPPORTUNITY
- Assembles resources
- Coordinates and facilitates team members



We are not replacing private developers, but rather acting when the private sector either will not or cannot.

Community Initiated Development Project

Characteristics

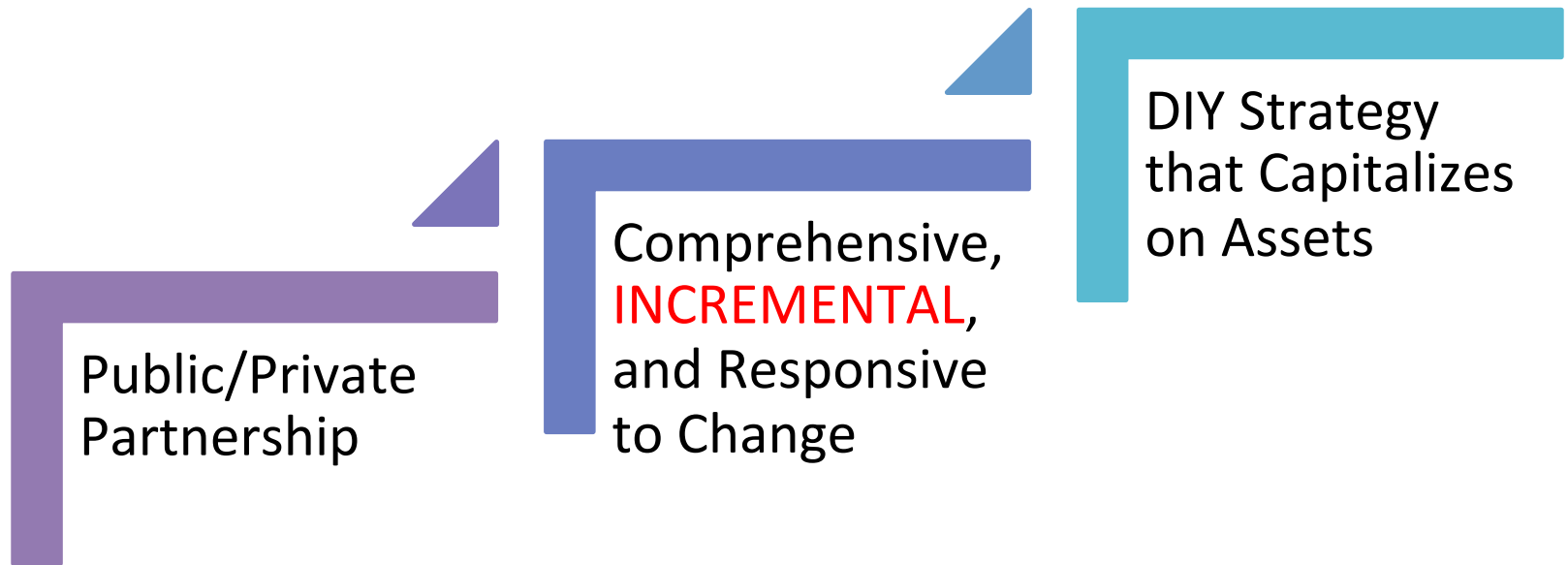
- Ideas originate from either public or MainStreet
- Co-development Team – part of process from **START to FINISH**
- Commitment of public and MainStreet resources
- Serves a public benefit

Why would a MainStreet to take on a CID?

- Private sector can't or won't act
- Need to influence character, quality, or use
- Catalyst for additional activity
- Conduit needed for public or philanthropic funds
- Major infrastructure required

Community Initiated Development CID

Difficult, time consuming, expensive, risky, labor intensive



“It took over 40 years for our city to get in the shape it’s in and it happened 1 business, 1 store, and 1 block at time. We will revitalize the same way.”

*Robert Larson, Chairman
Detroit Economic Growth Corp., 1995*

Successful CIDs Have:

- FT Staff
- Executive Director Involvement
- Community Vision - Where does the community want to be?
- Designated CID as priority
- Commitment to pursue \$\$\$ (all sources and types)
- Public occupancy in the building

A Successful CID

- **Comprehensive Revitalization Strategy**
- Catalytic Opportunity
- Community “Ownership”
- Technical Assistance
- **COMMUNITY VOLUNTEERS**
- Flexible Building Owner
- Active Stakeholders

Active Stakeholders Lead to a Successful CID

- City and / or County Staff
- Elected Officials
- Other Organizations and Nonprofits
- Local Business Community
- Financial Institutions
- Foundations



Finding the Right Team

- Real estate agents
- Finance strategists
- Lawyers
- Town planners
- Architects, designers or draftsmen
- Engineers
- Landscape architects
- Building contractors
- Project and Construction managers
- **COMMUNITY VOLUNTEERS**

<https://youtu.be/Pk7yqlTMvp8>

TWO Approaches to CID

1. Property Driven: Building Focus



- CDFI purchased building
- Barelas Community Coalition entered into lease to own agreement

Wellness and Education Center
Maclovia Sanchez de Zamora

807 4th St SW, Albuquerque

TWO Approaches to CID

2. Use or Need or Idea Driven:

Address an economic, cultural, or social issue



Community Initiated Development

Five Stages

- Concept
- Analysis
- Preparation
- Implementation
- Operation

The Silco Theater, Silver City



WHY IS THIS REDEVELOPMENT PROJECT IMPORTANT TO OUR MAINSTREET?

Community Initiated Development

Time Budget for Five Year Project (260 Weeks)

- Concept: 13 to 52 weeks (5-20%)
- Analysis: 26 to 52 weeks (10-20%)
- Preparation: 39 to 52 weeks (30-60%)
- Implementation: 78 to 156 weeks (30-60%)
- Operation: 13 to 39 weeks (5-15%)

Community Initiated Development

Money Budget for \$250,000 CID Project

- Concept: \$0 - \$12,500 (0-5%)
- Analysis: \$12,500 - \$37,500 (5-15%)
- Preparation: \$37,500 - \$75,000 (15-30%)
- Implementation: \$100,000 - \$187,500 (40-75%)
- Operation*: \$12,500 - \$25,000 (5-10%)

Plus: Acquisition Cost

*(*Through rent-up only)*

CID Concept Stage

- ✓ Identify Opportunity
- ✓ Assemble Co-Development Team
- ✓ Define Roles of Co-Developers
- ✓ Consider Appropriateness of CID
- ✓ Identify and Review Information
- ✓ Identify Sources of Help

CID: A Manual for Nonprofit Real Estate Development in Traditional Commercial Districts

New Mexico MainStreet

ENGAGING PEOPLE • REBUILDING PLACES • REVITALIZING ECONOMIES



NMMS ▾ OUR WORK ▾ HOW WE CAN HELP ▾ RESOURCES ▾ GET INVOLVED ▾ NETWORK ▾ PROGRAM DIRECTORY NEWS ▾

🏠 > Resources > MainStreet Tools

Event Planning

Event Planning +

Property Redevelopment

Financial Tools for Property Owners +

Opportunity Zones +

Other Resources -

[CID Manual Concept Stage](#)

[CONCEPT-Form C-11B](#)

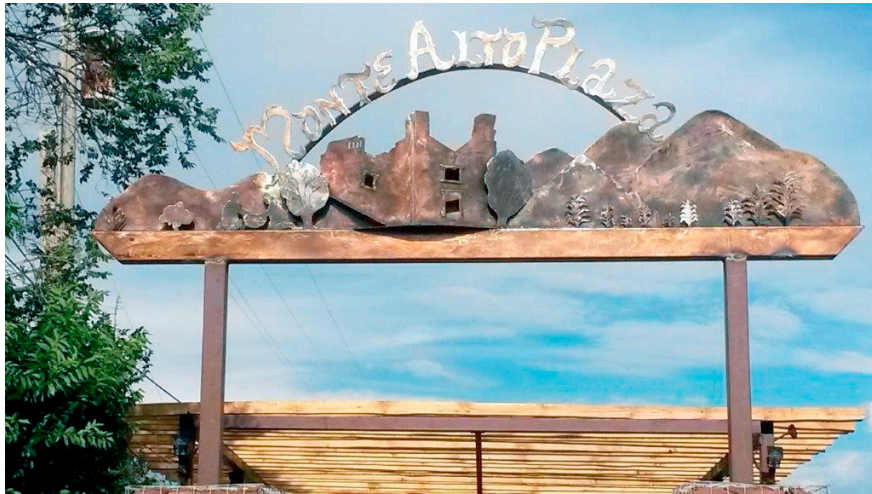
<https://www.nmmainstreet.org/resources/mainstreet-tools/>



- **Project Initiation – 2006**
- **Project Completion – 2016**
- **Leveraged public (\$500K) to secure additional \$103,000 (Lions Club)**

MainStreet Property Developer

*Different people playing different roles in the in the process of creating **value** throughout the lifetime(s) of the property.*



- *Plaza site is municipally-owned*
- *Volunteers*
- *T.A. from NMMS Frontier Communities Initiative*



Monte Alto Plaza, Mountainair

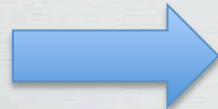
When **NOT** to undertake a Community Initiated Development

- Lack of bandwidth
- No consensus between board and staff
- Not prepared for multi-year project
- Don't like **RISKS**
- Lack of \$\$\$ or access to \$\$\$\$\$
- Unwilling to operate within ambiguous, changing environment

SUCCESS

PRICE OF ENTRY

HARD WORK
PERSISTENCE
DISCIPLINE
AMBITION
SACRIFICE
PATIENCE
FAILURE
FOCUS



If you don't pay your dues,
success will not be rewarded.

Part 2

Planning

- Land Use Plans
- Permitted Uses
- Site Review Processes
- Zoning and Regulatory Issues
- Code Enforcement
- Site Selection and Control

Land Use Plans

Providing the framework

Land Use Plan: A planning document that serves as a community's blueprint for future development.

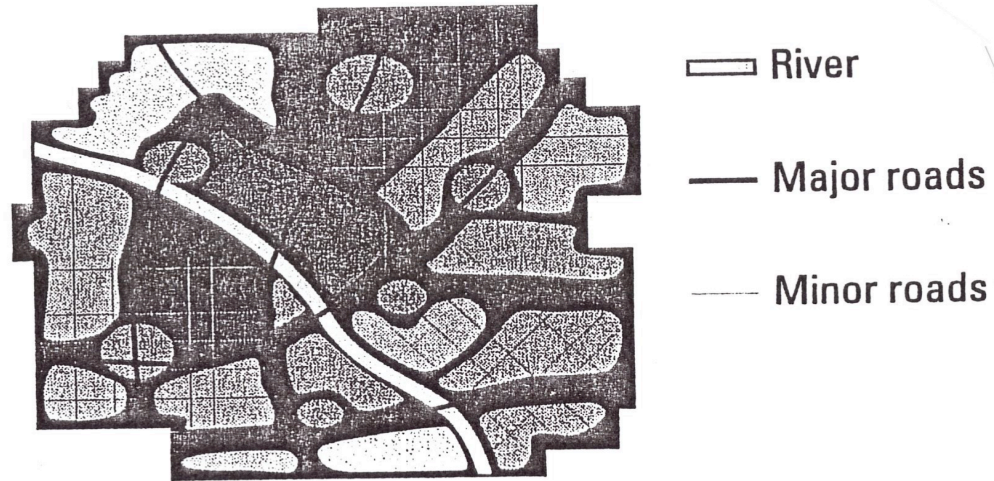
- Provides a scheme or set of actions that may be *strategic plan* (general or broad) or an *action plan* (specific or narrow)
- Also known as urban plans, town plan, sector plan, master plan or comprehensive plan.

Land Use Plans

- A land use plan shows what a place could be like in the future.
 - Form: geographic location of all of a community's essential features (schools, parks, factories, redevelopment opportunities)
 - Function: relationship between the different elements of the community (location of residential, commercial and transportation)
- Most important component of a land use plan (planning document) is to find a place for everything to go.

Land Use Map

Coordinates land use patterns and provides framework

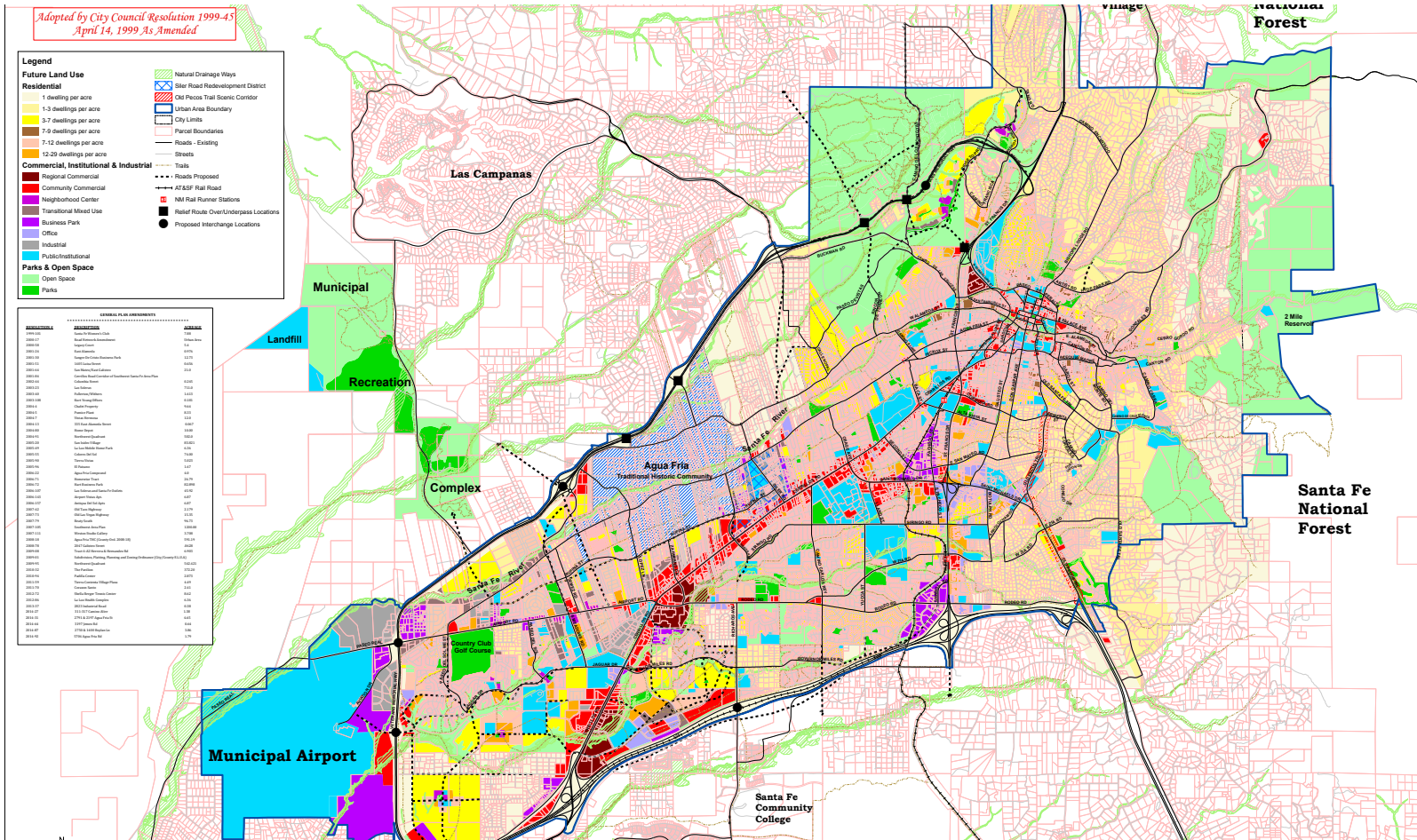


- Downtown district
- Urban village/mixed use
- Residential district
- Commercial/office district
- Commercial/retail district
- Industrial district
- Parks and open space

Figure
A concep-
tual future
land use
map.

City of Santa Fe

General Plan example



Bridge Boulevard Sector Plan

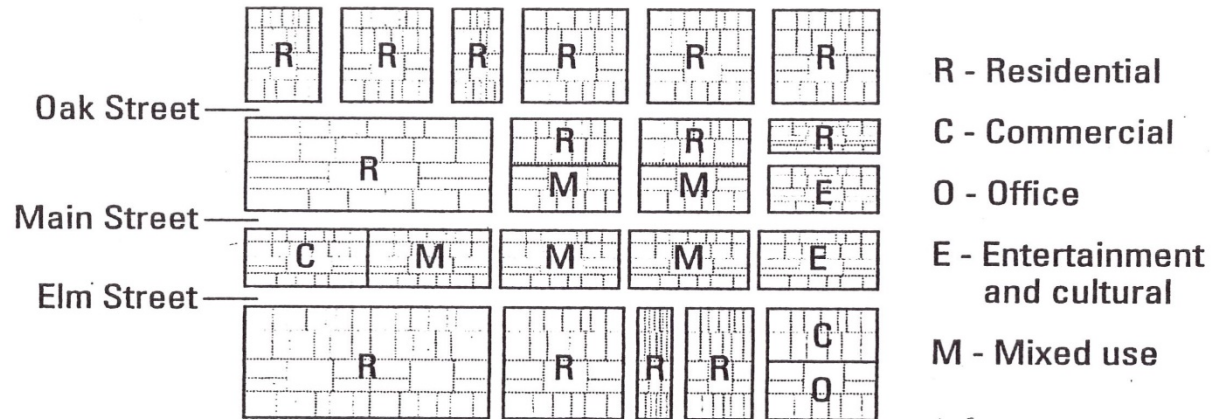
Action Plan example



Land Use Map

What goes where?

Figure
A detailed
future land
use map.



Zoning

Land Use Regulations: directly affect the value & utility of your site

Zoning: Land use regulations used by local authorities to designate what types of land uses are allowable in specific locations.

- Primary legal means for local authorities to shape the overall pattern of land use in a manner consistent with their land use plan (planning document)

Zoning

Zoning Code (Ordinance):

- A legal description of zoning classifications, including what type of development is allowed in each category;
- A zoning map showing the zoning classification for each property.
 - Permissive uses: allowable land uses (residential, commercial, industrial, mixed-use)
 - Extent of site development: setbacks, height of buildings
 - Site layout and design: architecture, design (building envelope; colors), landscaping

Zoning Map

Zoning classifications (legally binding)

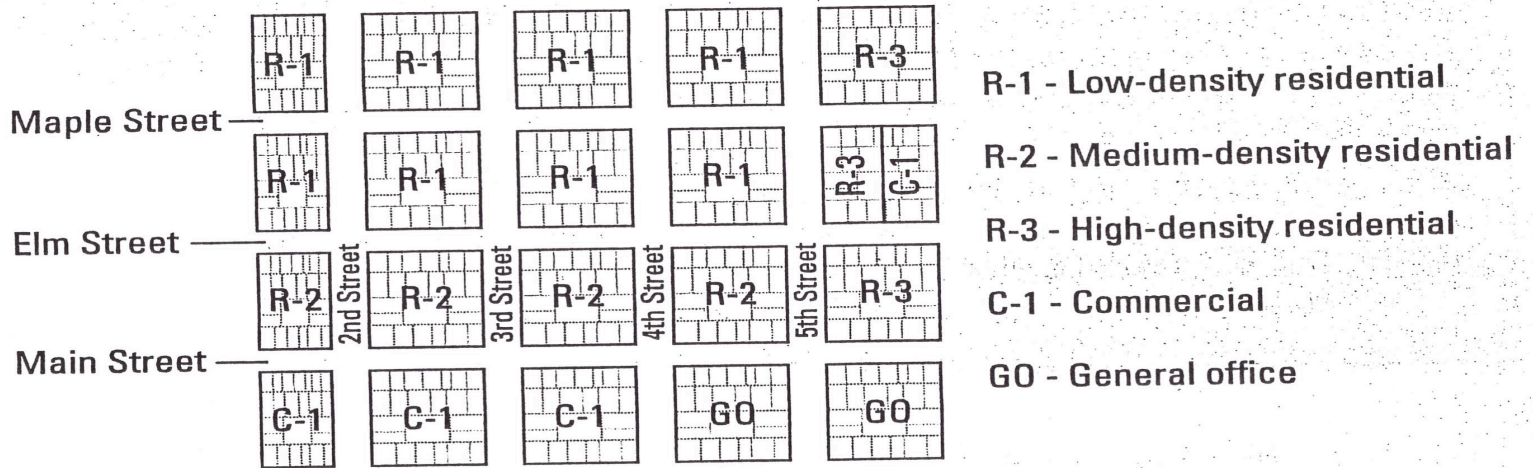


Figure
A zoning map.

Zoning

Permitted Uses: what is in? what is out?

- Conduct your due diligence
- What you can and cannot do on a particular site
- What restrictions are there?
- What is the development potential?
- What you need to know before you rehab a building or develop on a site

Zoning development standards

DEVELOPMENT TERMS

- **Dimension regulations-** Front , side, and back setbacks. Height restrictions.
 - **FAR-** Floor area ratio, the ratio of square footage of building to square footage of land
EXAMPLE: 12,000 SF Parcel with a 2.0 FAR allowance results in 24,000 SF development potential
 - **Building Coverage-** the ration of the building footprint to the square footage of the development parcel.
EXAMPLE: 60% Building Coverage on 12,000 SF Parcel allows a 7,200 SF.
- Green Space and Lot Coverage ratios also apply**
- **Parking Ratio-** Parking spaces required per residential unit or square feet of commercial space.
EXAMPLE: Residential building with 100 units and parking ratio requirement of .75 per unit would require 75 parking spaces.

Permissive Uses

- Who is responsible?
- Overlays, Easements or Covenants
- Entitlements
- MainStreet Designation

Site Plan

SAMPLE SITE PLAN Scale: 1"=20'

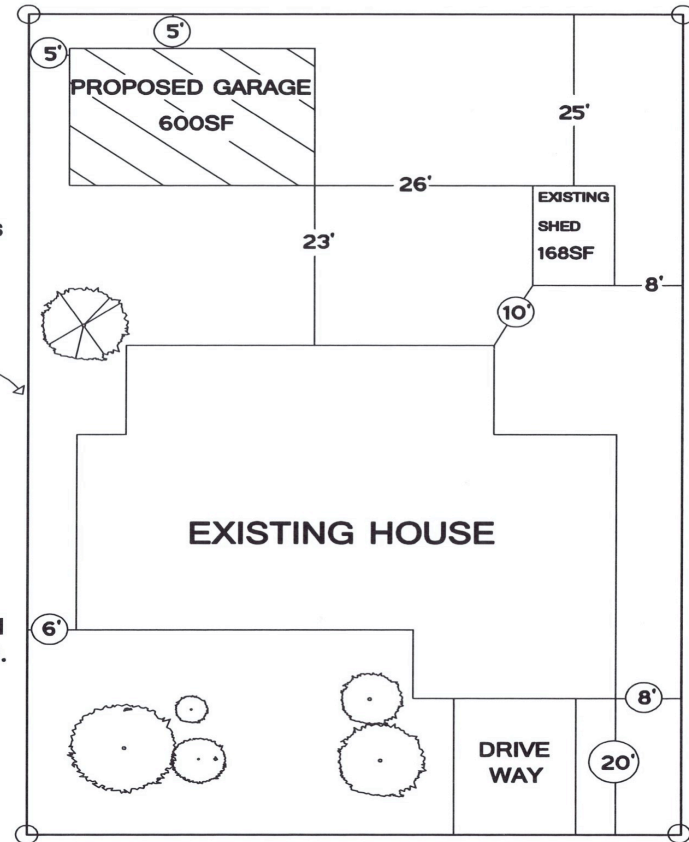
ADDRESS: 1020 FOREST RD NW
 PROPERTY OWNER: M. FUENTES.
 PROJECT: 600 SF GARAGE/WORKSHOP (20X30)

- INCLUDE PROPOSED PROJECT AND ALL EXISTING STRUCTURES
- SETBACKS
- STRUCTURE DIMENSIONS
- STREET NAMES
- NORTH ARROW
- PROPERTY LINE
- SCALE
- LABEL ALL STRUCTURES

* R-1 SETBACKS

- FRONT YARD SETBACK: MINIMUM 20'.
- REAR YARD SETBACK: MINIMUM 15' (FOR DWELLING ONLY).
- SIDE YARD SETBACKS: MIN. AGGREGATE OF 14' ON BOTH
 - ↳ SIDES (7'&7', 6'&8' BOTH EQUAL TOTAL 14').
- DETACHED ACC. STRUCTURE: 5' MIN. SIDE/REAR YARD.
 - ↳ 10' FROM DWELLING.
- DETACHED ACC. STRUCT. MUST BE 5' MIN. AWAY FROM
 - ↳ ANY OTHER ACC. STRUCTURE.

PROPERTY LINE



FOREST RD NW

1/16. DG

Las Vegas, NM

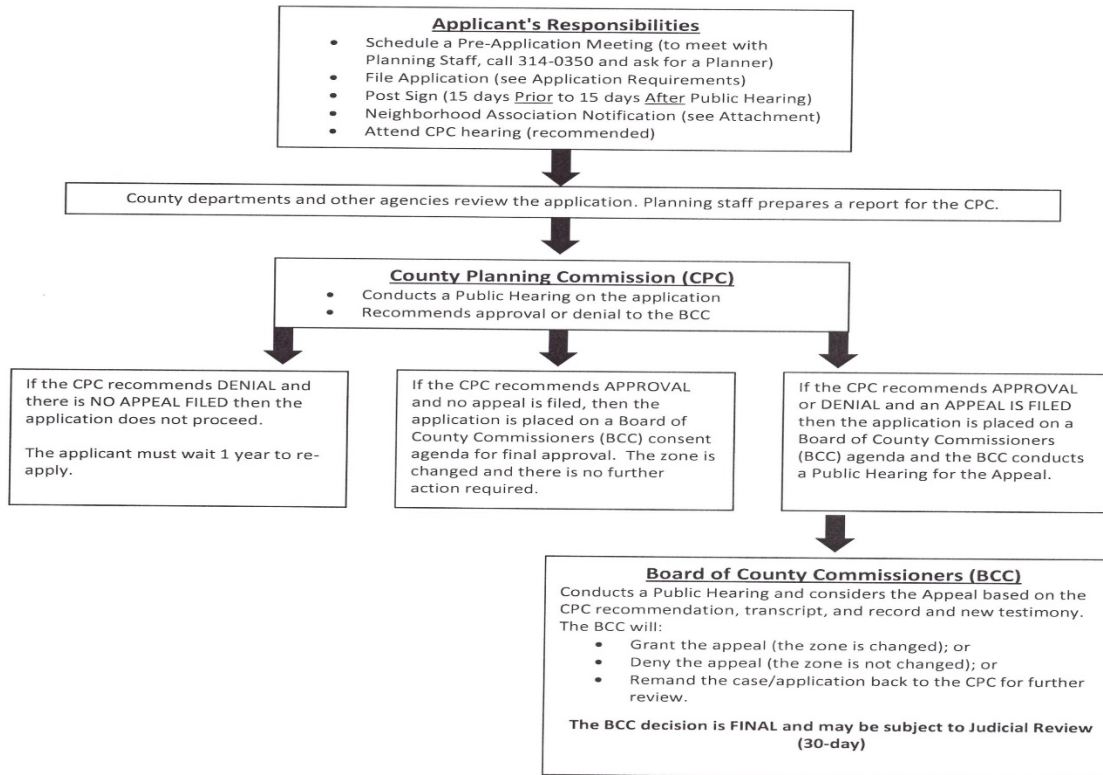


Albuquerque, NM



Development Review Procedure

Zone Change Application Process



Regulatory Issues

What do I need?

- Site plan
- Landscape plan
- Grading and Drainage Plan
- Utility Plan
- Building and Structure Elevations
- Previous approvals

Is the project a GO or a NO GO?

Who's responsible for what?

Role of a Planner

- Determine “highest and best use” of the property to maximize development potential and financial return
- Zone changes, text amendments, variances, subdivisions, special use permits

Buyer's or Property Owners due diligence

- Purchase and Sale Agreement may be contingent on securing zoning approval
- Prospective purchaser may want to know the development potential of the property

Site Selection and Control

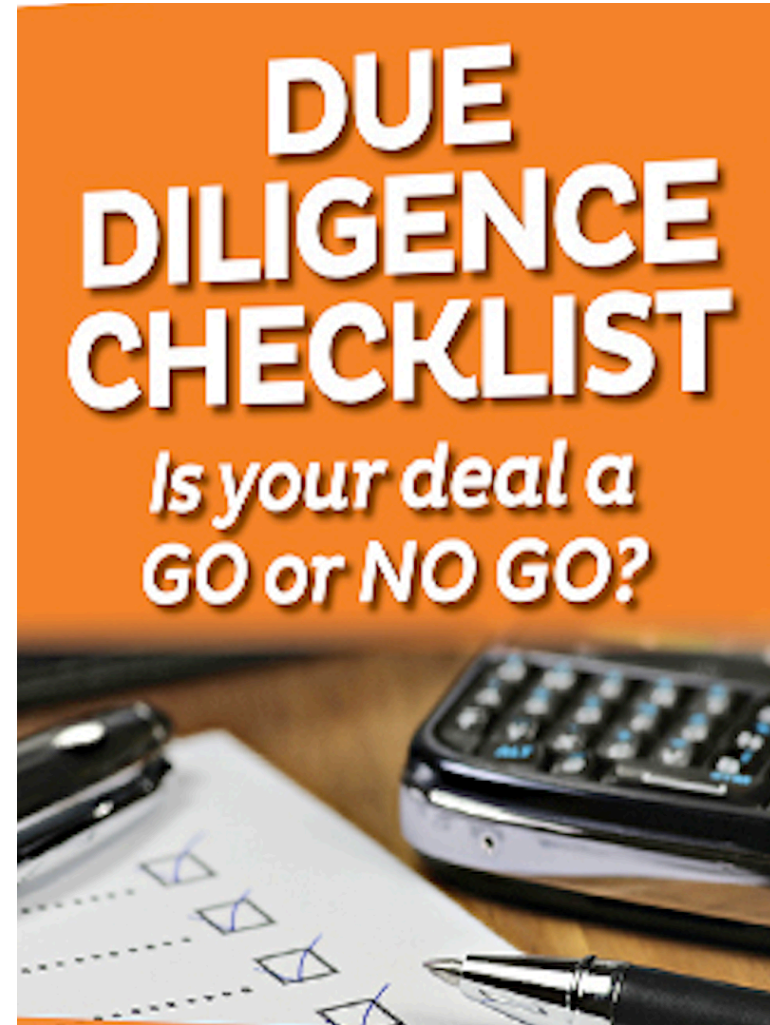
The project and your land: assessing your objectives

- What do you want to achieve?
- Over what time frame?
- What are you prepared to give up?
- What is your staying power?
- How much time, energy & money are you willing to expend?
- What exactly did you buy or what are you buying?
- Building & Location Assessments
- Site Control / Owner Engagement
- Familiarity with Development Review Process

Part 3

Pre-development Phase / “Feasibility Plan”

- Overview of Construction and Operating Pro-Formas
- Preliminary Market Analysis
- Commercial Leases
- Financing Options
- Reuse Factors



Pro-Forma (Feasibility Study)

- Plan your finances
- Project income and expenses
- Know how much we need to fund raise
- Funder requirement



Preliminary Operating Pro-Forma

REVENUE

- Projected Rental Income (based on average retail / office rents: \$x/sq. ft.)

Costs

- Building Operating Expenses (Utilities, Insurance, Taxes, Advertising, Cleaning,)
- Repairs (5% Gross Rent Collected)
- Reserve
- *Loan Payment (Construction and/or Mortgage)*

Revenue – Costs = NET OPERATING INCOME

Operating Pro-Forma

Step 1: Determine Income from Market Analysis

Projected Rental Income (average retail and office rents: \$x/sq. ft.)

Market Statistics by Submarket

Albuquerque – Retail							
SUBMARKET	TOTAL SF	AVAILABLE SF	VACANCY	AVAILABLE %	VACANCY %	ABSORPTION	RENT Q2 2018
Cottonwood	4,170,757	351,638	359,118	8.43%	8.61%	(1,224)	\$17.20
Downtown	610,095	45,032	45,032	7.38%	7.38%	2,606	\$15.24
Far Northeast Heights	3,985,626	302,527	283,643	7.59%	7.12%	(147)	\$14.57
North I-25	3,397,712	330,618	361,197	9.73%	10.63%	(22,572)	\$11.07
North Valley	886,696	57,308	57,308	6.46%	6.46%	13,218	\$18.72
Northeast Heights	4,323,038	282,760	278,224	6.54%	6.44%	(18,425)	\$11.66
Rio Rancho	2,072,096	178,434	178,434	8.61%	8.61%	5,155	\$14.55
South Valley	1,281,653	121,270	121,270	9.46%	9.46%	1,850	\$13.56
Southeast Heights	2,879,609	301,885	301,885	10.48%	10.48%	7,401	\$11.54
University	980,036	31,632	31,632	3.23%	3.23%	3,800	\$9.48
Uptown	2,459,628	15,649	15,649	0.64%	0.64%	105,800	\$22.05
West Mesa	2,441,391	196,546	196,546	8.05%	8.05%	(2,408)	\$17.30
Total	29,488,337	2,215,299	2,229,938	7.51%	7.56%	95,054	\$14.17

* Retail inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Available space includes all vacant space and occupied space currently on the market for lease. "Change in Availability" is based on the change of availability from beginning of quarter to the end. "Absorption" is based on the change of vacancy from the beginning of the quarter to the end.

Copyright © 2018 Colliers International.

Preliminary Operating Pro-Forma

**Step 1: Determine Income from Preliminary Market Analysis:
Average retail and office rents: (\$x/sq. ft.)**

Alamogordo Market Analysis⁴:

Asking Rent for Commercial Spaces	Vacancy Rate	Rent Q4 2018 per square foot	Purchase Price Q4 2018 per square foot
Alamogordo MS - District Wide	28%		
Alamogordo MS - Retail Core*	49%	\$0.31	\$40.90**

*Where the Avis Building is located

**Prices range from \$19 up to over \$100!

Commercial Leases

Income Dependent on Type of Lease

- **NNN or Triple Net Lease or Absolute Net Lease**

Tenant pays for all operating expenses

- **Absolute Gross Lease**

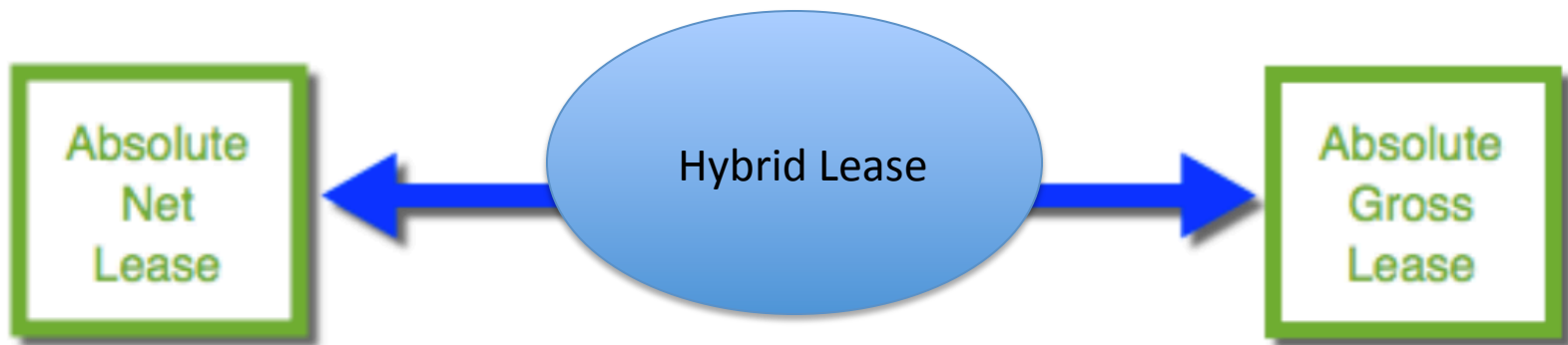
Property owners pays for all the operating expenses



Commercial Leases

MainStreet vs. For Profit

Structure lease agreement where rent during off season is less and more during the busy season



Commercial Leases

Structure a lease where rent during the off season is less and more during the busy season

AMERICAN GLAMPING

Can You Curate a Town?

Even Walmart wants to bring back ye olde Main Street.

By Jennifer Miller

Nov. 3, 2018



“Mr. Resnick is allowing his shopkeepers to operate either rent free or for a nominal fee, since there aren’t enough shoppers to keep the doors open. During the week, Mountain Dale is a veritable ghost town.”



Mountain Dale, NY

Commercial Leases

CURRENTS 826 on Canyon Road



WINTER HOURS

Thursday, Friday, and Saturday: 12:00 – 5:00pm

One of their donors, who owns the 826 building, is letting them use it rent free. Ragano said “everyone who knows this building knows who owns it,” but Amster said the owner doesn’t want to be identified.

Ragano and Amster are responsible for all operating expenses, such as maintenance and staffing. They are likely guaranteed the space for the next year or two, but “it’s going to depend on whether we can actually make it,” he said.

CURRENTS 826 on Canyon Road, Santa Fe

Commercial Leases

http://www.santafenewmexican.com/news/business/downtown-card-shop-moving-to-canyon-road/article_676a5901-0270-

Downtown card shop moving to Canyon Road

By Teya Vitu | tvitu@sfnewmexican.com Jan 31, 2019 Updated Feb 1, 2019

Marcy Street Card Shop
Santa Fe



Vanessa and John Manahane, visiting from Tacoma, Wash., admire ornaments on display at the Marcy Street Card Shop in November. The shop, rebranded as Marcy Cards, is moving to Canyon Road. Gabriela Campos/New Mexican file photo

This article has been updated to include material from Tesoro Trading Company that was received after The New Mexican's print deadline.

Operating Pro-Forma

Step 2: Estimate Projected Expenses

- Building Operating Expenses
 - Utilities
 - Insurance
 - Taxes
 - Advertising
 - Cleaning
- Repairs (5-25% Gross Rent Collected)

Operating Pro-Forma

Landlord Pays All Expenses (Absolute Gross Lease)

LANDLORD EXPENSES		
	ESTIMATED MONTHLY	ESTIMATED ANNUAL
ADVERTISING		
CLEANING (EXTERIOR)	\$100.00	\$1,000.00
INSURANCE	\$273.00	\$3,272.00
REPAIRS/MAINTENANCE (15% GROSS RENT)***	\$730.86	\$8,770.36
PROPERTY TAXES	\$168.92	\$2,027.00
UTILITIES / DISPOSAL	\$500.00	\$6,000.00
TOTAL EXPENSES	\$1,772.78	\$21,069.36

3,550 sq. ft. building

***Based on condition of building, this figure can range from 5-25%

Operating Pro-Forma

Tenant Pays All Expenses (NNN or Triple Net Lease)

EXPENSES- TENANT (including rent)		
	ESTIMATED MONTHLY	ESTIMATED ANNUAL
RENT	\$4,872.42	\$58,469.00
CLEANING (EXTERIOR)	\$100.00	\$1,000.00
INSURANCE	\$273.00	\$3,272.00
REPAIRS/MAINTENANCE (15% GROSS RENT)***	\$730.86	\$8,770.00
PROPERTY TAXES	\$168.92	\$2,027.00
UTILITIES / DISPOSAL	\$500.00	\$6,000.00
TOTAL EXPENSES	\$6,645.20	\$79,538.00

3,550 sq. ft. building

***Based on condition of building, this figure can range from 5-25%

Operating Pro-Forma

RETAIL Rental Income – Expenses = Net Operating Income

RETAIL INCOME 3,550 sq. ft.		
	PROJECTED MONTHLY	PROJECTED ANNUAL
GROSS RENTAL INCOME - \$15.24/sf - retail*	\$4,872.42	\$54,102.00
LESS VACANCY (0%)**	\$0.00	\$0.00
LESS LANDLORD EXPENSES	(\$1,772.78)	(\$21,069.36)
NET OTHER INCOME	\$0.00	\$0.00
TOTAL INCOME	\$3,099.64	\$33,032.64
NET OPERATING INCOME (GROSS CASH FLOW)	\$3,099.64	\$33,032.64

*Based on a “lease ready” 3,550 sq. ft. building

**Single Building – Either a 0% or 100% Vacancy rate

Absolute Gross Lease Model (Landlord Pays All Expenses)

DEVELOPMENT TERMS - FINANCE

- **Operating Expense:** Ongoing costs for property including management, maintenance, insurance, taxes, marketing, etc.
- **Net Operating Income:** The net of rental revenue after operating expense, before debt service (loan payments)
- **Reserves:** Escrow accounts established for interest, operating deficits, and capital improvements
- **Debt Service Coverage:** The ratio of net operating income allowed to service the project's debt
- **Tax Credits:** Income tax credits created through qualifying development (e.g., Historic Tax Credits)



Construction Pro-Forma or Development Budget

COSTS

- Acquisition
- Monthly Debt Repayment
- Soft Costs
- Hard Costs

SOURCES

- Grants or Impact Investments
- Building / Land Contribution
- Donated / Volunteer Services
- Loans
- Equity (Cash or Tax Credits)

Construction Pro-Forma Development Budget

Hard cost bids come from licensed contractors

Hard Costs

- Demolition
- Site Work
- “Brick and Sticks”
- General Conditions

Soft Costs

- A & E
- Permits
- Legal
- Insurance\Taxes
- Financing Costs
- Interest
- Project Management
- Fees

Soft Costs are sometimes calculated at 20% of Hard Costs

2	PROJECT:	YOUR TEAM'S INFO HERE					
3	NUMBER OF SF:	0	TOTAL COST PER SF:		\$	-	
4							
5	ITEM	COST	% TOTAL	Depreciable	Amortize	Non-Depr.	Cost Per SF
6	ACQUISITION	\$ -	#DIV/0!				
7	Improvements		0.00%	0			#DIV/0!
8	Land Acquisition		0.00%			0	#DIV/0!
9	SOFT COSTS	\$ -	#DIV/0!				
10	Market Study		0.00%	0			
11	Environmental		0.00%	0			
12	Surveying		0.00%	0			
13	Application Fees		0.00%			0	
14	Architect & Engineer		0.00%	0			
15	Legal		0.00%	0			
16	Accounting/Tax Fees		0.00%			0	
17	Consultant Fees		0.00%				
18	Other (Describe in notes)		0.00%	0			
19	SITE WORK	\$ -	#DIV/0!				
20	Demolition		0.00%	0			#DIV/0!
21	On-Site Imp.		0.00%	0			#DIV/0!
22	Off-Site Imp.		0.00%			0	#DIV/0!
23	CONSTRUCTION	\$ -	#DIV/0!				
24	Core & Shell Rehab.		0.00%	0			#DIV/0!
25	Core & Shell New Const.		0.00%	0			#DIV/0!
26	Permits		0.00%	0			#DIV/0!
27	Tap & Impact Fees		0.00%	0			#DIV/0!
28	FF&E (Fixtures)		0.00%	0			#DIV/0!
29	Tenant Improvements		0.00%	0			#DIV/0!
30	Insurance/Bonding		0.00%	0			#DIV/0!
31	Contingency		0.00%	0			#DIV/0!
32	Other (Describe in notes)		0.00%	0			#DIV/0!
33	CONSTRUCTION FINANCE	\$ -	#DIV/0!				
34	Appraisal		0.00%	0			#DIV/0!
35	Constr. Origination		0.00%	0			#DIV/0!
36	Constr. Loan Fee		0.00%	0			#DIV/0!
37	Constr. Loan Interest		0.00%	0			#DIV/0!
38	Title and Recording		0.00%	0			#DIV/0!
39	Cost Certification		0.00%	0			#DIV/0!
40	Other (Describe in notes)		0.00%	0			#DIV/0!

	A	B	C	D	E	F	G
41	PERMANENT FINANCE	\$ -	#DIV/0!				
42	Perm. Origination		0.00%		0		#DIV/0!
43	Perm. Loan Fee		0.00%		0		#DIV/0!
44	Title and Recording		0.00%		0		#DIV/0!
45	Other (Describe in notes)		0.00%		0		#DIV/0!
46	RESERVES	\$ -	#DIV/0!				
47	Lease-up Reserve		0.00%			0	
48	Operating Reserve		0.00%			0	
49	Other (Describe in notes)		0.00%			0	
50	MARKETING AND OTHER	\$ -	#DIV/0!				
51	Marketing Expense		0.00%		0		
52	Lease-up Expense		0.00%			0	
53	Organizational Exp.		0.00%		0		
54	Syndication Expense		0.00%			0	
55	Mobilization		0.00%			0	
56	Relocation/Possession		0.00%			0	
57	Property Taxes/PILOT		0.00%	0			
58	Other (Describe in notes)		0.00%				
59	OTAL DEVELOPMENT COS	\$ -	0.00%	\$ -	\$ -	\$ -	
60	Per SF			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
61	Notes/ Other						
62	<i>e.g. Other Construction: Asbestos abatement costs</i>						
63							

Pro forma for Detroit


Rebert Building

Construction Pro-Forma

Sources of funds


SDBA equity	
Cash	\$ 75,000
CDBG ('95)	100,000
CDBG ('96)	250,000
Development fee	130,000
Total	\$ 555,000

Outside equity - sale of tax credits	\$ 116,770
Tenant-funded improvements	50,000
Contributed services - NTHP	10,000
1st mortgage - conventional	418,000
2nd mortgage - Wayne County	150,000
3rd mortgage - Sisters of St. Joseph	30,000

TOTAL SOURCES  **\$1,330,650**

Uses of funds

Acquisition	\$ 80,000
Parking acquisition	5,000
Construction	805,198
Site preparation	50,000
Awnings and signs	9,952
Architectural and engineering	49,000
Development fees	130,000
Construction period interest	18,000
Construction period taxes	5,000
Appraisal	6,000
Legal, accounting, and consultants	35,000
Contingency	61,000
Tenant improvements	50,000
Operating reserve	16,500

TOTAL USES  **\$1,330,650**


Operating Pro-Forma


Income

Ground floor	\$ 55,815
Second floor - SDBA	26,594
Second floor - other	24,800
Gross scheduled income	107,209
Less: Vacancy	(21,442)
Effective gross income	\$ 85,767

Expenses

Taxes	\$ 10,000
Insurance	1,500
Repair and maintenance	5,000
Utilities	2,400
Management	4,040
Legal and accounting	1,500
Miscellaneous	2,000
Reserve for replacement	5,000

TOTAL EXPENSES  **\$ 31,440**

NET OPERATING INCOME  **\$ 54,327**

Debt service

1st mortgage	\$ 40,772
2nd mortgage	15,444
3rd mortgage	1,800

TOTAL DEBT SERVICE **\$ 58,017**

CASH FLOW **\$ (3,690)**

\$16,500 available in "Operating Reserve" to cover negative cash flow; anticipated to reach positive cash flow in year five.

LOANS



"Do you have any other collateral...
besides this e-mail from a Nigerian prince?"

Do you have any other collateral . . . Besides this e-mail from a Nigerian prince?

Sources of Financing



Economic Development Financing Programs for ~~MainStreet~~

LOCAL GOVERNMENT TOOLS

- **MRA; TIF** – Metropolitan Redevelopment Area; Tax Increment Financing
- **TIDD** – Tax Increment Development District
- **LEDA** – Local Economic Development Act
- **IRBs** – Industrial Revenue Bonds
- Local government-owned real estate sale or lease at favorable terms; property tax abatement; government agency lease of private building space

REAL ESTATE PROJECT LOANS

- **Collateral Support** – Collateral Support Participation Program (New Mexico Finance Authority)
- **SBA 504** – Low-interest economic development loans (US Small Business Administration; lenders) Development Companies; lenders
- **SBA 7(a)** – Loan guarantees for private lender loans (US Small Business Administration; lenders)
- **Rural Business & Industry Loan Guarantee** – (USDA; lenders)
- **Renewable Energy Systems & Energy Efficiency Improvement Guaranteed Loans & Grants** – (USDA; lenders)

REAL ESTATE PROJECT TAX CREDITS

- **NMTC** – New Markets Tax Credits (NMFA)
- **State HP Tax Credit** – State Income Tax Credit for Registered Cultural Properties (NM Historic Preservation Division)
- **Federal HP Tax Credit** – Federal Historic Preservation Tax Credit (NM HPD; National Park Service; IRS)
- **Sustainability Building Tax Credit** – Commercial building rehab must achieve a silver or higher certification level in the LEED green building rating system (New Mexico Energy, Minerals and Natural Resources Department EMNRD)

STATE ECONOMIC DEVELOPMENT PROJECT INCENTIVES

- **State LEDA-CO** – Local Economic Development Act – Capital Outlay (New Mexico Economic Development Department)
- **JTIP** – Job Training Incentive Program (NM EDD)

COMMUNITY FACILITIES AND INFRASTRUCTURE

- **State CO** – Capital Outlay (Legislature)
- **NMMS Public Infrastructure Funding / Great Blocks on MainStreet** – Community Facilities Direct Loan & Grant (USDA-Rural Development); Community Facilities Loan Guarantees (USDA; lenders)
- **US EDA** – US Economic Development Administration Economic Adjustment Assistance, Public Works, and Economic Development Programs (EDA; Councils of Government and other Economic Development Districts)
- **CDBG** – Community Development Block Grant for public infrastructure, housing, community services and economic development (US Department of Housing and Urban Development)

RURAL BUSINESS DEVELOPMENT

- **Rural Economic Development Loan & Grant** – (USDA; rural utilities)
- **RBDG** – Rural Business Development Grant (USDA; government and non-profit agencies)

FOUNDATIONS

- **Facade Improvement Program** – New Mexico Resiliency Alliance

COORDINATION EFFORTS

- **FUNDIT** – (EDD; multiple agencies)

- LOCAL GOVERNMENT TOOLS
- REAL ESTATE PROJECT LOANS
- REAL ESTATE PROJECT TAX CREDITS
- NM ECONOMIC DEVELOPMENT PROJECT INCENTIVES
- COMMUNITY FACILITIES, INFRASTRUCTURE, & REMEDIATION
- RURAL BUSINESS DEVELOPMENT
- FOUNDATIONS
- STATE COORDINATION EFFORTS

Sources of Financing



e-Training Series

Financing Real Estate Development on Main Street: Local Program Roles

Presented by

Keith Kjelstrom

NMMS Economic Vitality Program Associate

505-454-1187

keithkjelstrom@gmail.com

NEW MEXICO MAINSTREET | A Program of the New Mexico Economic Development Department

<https://www.nmmainstreet.org/WPBeta/wp-content/uploads/2018/06 RealEstateDevelopment.pdf>

Hotel Clovis

Sustainable Tax Credits - 1st mid-rise building in U.S. to receive LEED Platinum energy certification

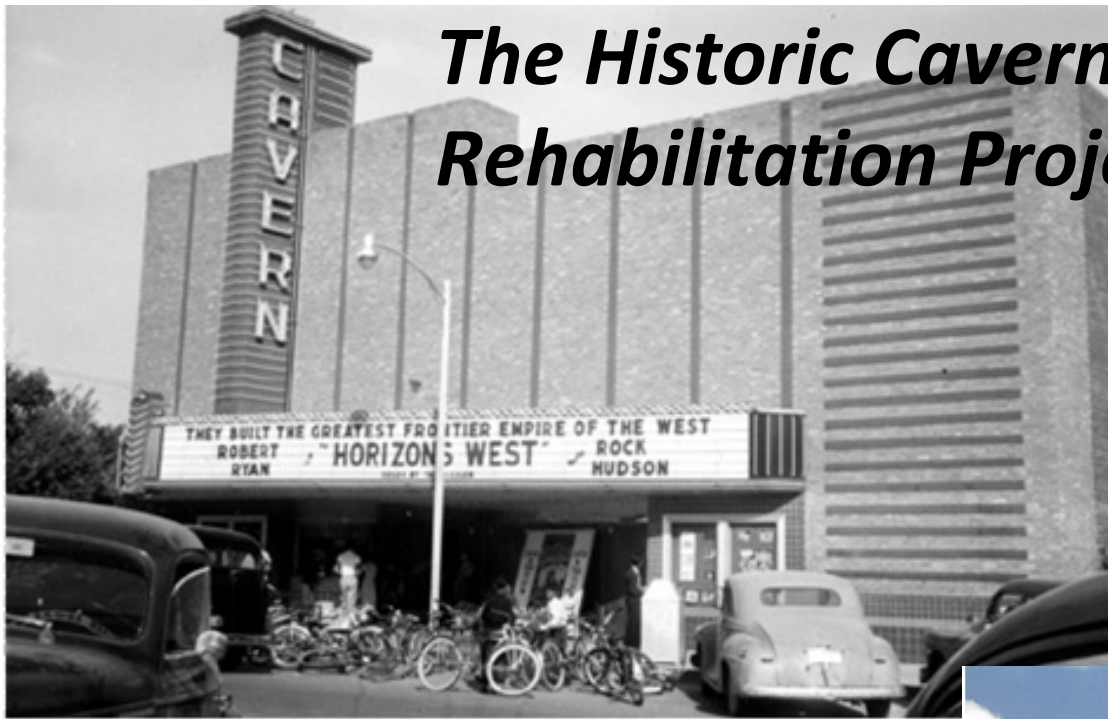


2001



2014

The Historic Cavern Theatre Rehabilitation Project



Carlsbad, 1951

Secured Funding:

- Light and Rogers Families' Donation –\$250,000
- Capital Outlay for electrical updates - \$173,000
- Lodgers Tax for marquee restoration

Pending:

- EDA Grant - \$173,000

Estimated \$6 million for renovations,
including asbestos removal



2017

Adaptive Reuse

“Adaptability is the way in which we judge whether or not a building can be reused.”

- Does a building have “good bones”?
- Does it have enough power?
- Is the water line big enough?
- Is there enough gas coming into the building?
- Is it historic? Should HPD get involved?

The Carnegie Library, Roswell



Carnegie Library

7,425 square feet of land
9,156 square feet of building,

- Vacant and for sale in 2011
- Purchased in 2018
- Will be repurposed into hotel and restaurant
- New entrance for ADA compliance
- Roof's deferred maintenance led to foundation problems

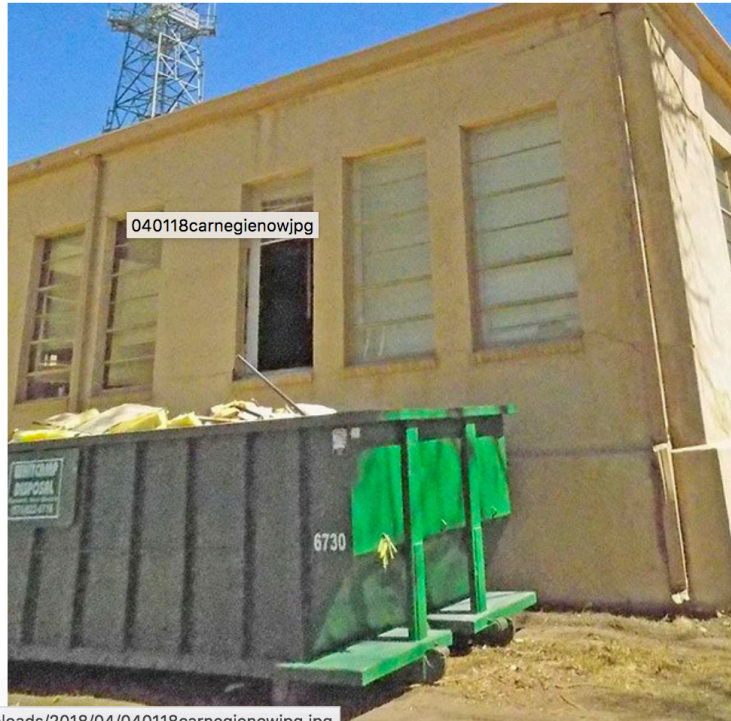
The Carnegie Library, Roswell

Carnegie Library soon to be reincarnated;
Local Realtor and architect announce
ambitious plans to restore decaying historic
building

By **Vistas** - April 1, 2018 0



Adaptive Reuse of a Historic Library



Why restore such an old building?

Daugherty said the old Carnegie Library is special and must be preserved.

“It has details we can’t design today,” he said. “We don’t have the craftsmanship or money.”

He added that he can feel a presence from the past when he walks into old buildings like the Carnegie.

Even after the Carnegie is restored and beautifully furnished, the most important things will remain the same.

The original exterior, floors and large windows remain as a testament to American generosity, acknowledgment of education and the impact women had on building our country.

Adaptive Reuse of a Church

Co-Working Spaces

- Estimated 1000 spaces opened in U.S. in 2018
- Independent business owners and entrepreneurs
- Part-time workers, freelancers, small enterprises
- #COCHURCHING

The use of a shared space by pastors, believers, and ministers

CHURCH SPACE

PROVIDING MINISTRIES OF ALL SIZES SPACE TO CHURCH

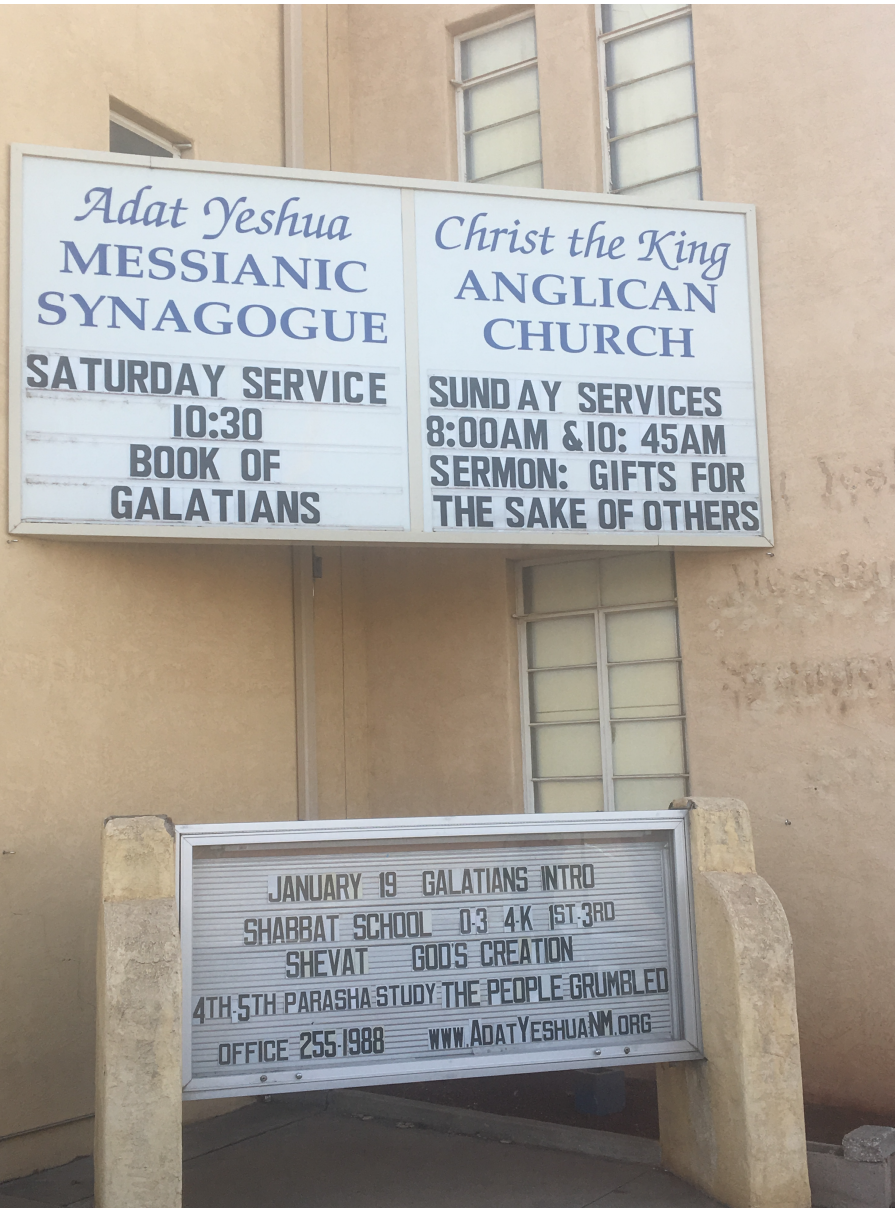
BOOK A SPACE

Mix Coworking and Creative Space



White Rock United Methodist Church, Dallas

Social Purpose Real Estate



Adaptive Reuse

The only limit is a community's imagination, resources, and willingness to take risks.



Adaptive Reuse



Santa Fe

Elbphilharmonie Hall in Hamburg



Elbphilharmonie Hall in Hamburg

- Concert hall built on top of historic brick warehouse
- Exceeded budget by more than \$600 Million
- Delays included political debates and public protests

<https://www.youtube.com/watch?v=evcpXACKldQ&feature=youtu.be>

Community Initiated Development

Idea Driven

Property Driven



Avis Building, Alamogordo

Española lowrider museum a great idea

By Journal North Editorial Board

Friday, February 23rd, 2018 at 12:02am



Fred Rael, seen here in his '67 Chevorlet Impala SS convertible lowrider, is chairman of the Lowrider Museum Coalition. (Eddie Moore/Albuquerque Journal)

Española Lowrider Museum



- Idea Driven
- Federal and State Grants
- Capital Outlay
- Private, Public and Nonprofit Partners
- Flexible Building Acquisition
- Feasibility Considerations

Former Hunter Ford Car Dealership



Former Cariños de los Niños Charter School

- Flexible Rent and Lease
- Volunteers
- Colocation Concept
- Income Producing
- Adaptive Re-use
- Creative Economy

Part 4

The Avis Building - Alamogordo



Avis Building



“White Elephant” Building

- Vacant, large building
- Difficult to adapt for other uses (e.g., Banks, Department Stores, Hotels, Churches)
- Investment risk
- Uncertain market demand



Common Denominators of Successful While Elephant Rehabilitation

- Multiple sources of financing
- Acquisition price approaches \$0
- Project is complex, time consuming, demand driven, local effort
- Mixed use property
- **Not an end to itself, approaches other ends**
- Property part of community
- Core group willing to take action
- Public sector participation
- Potential for adaptive re-use



Part 5

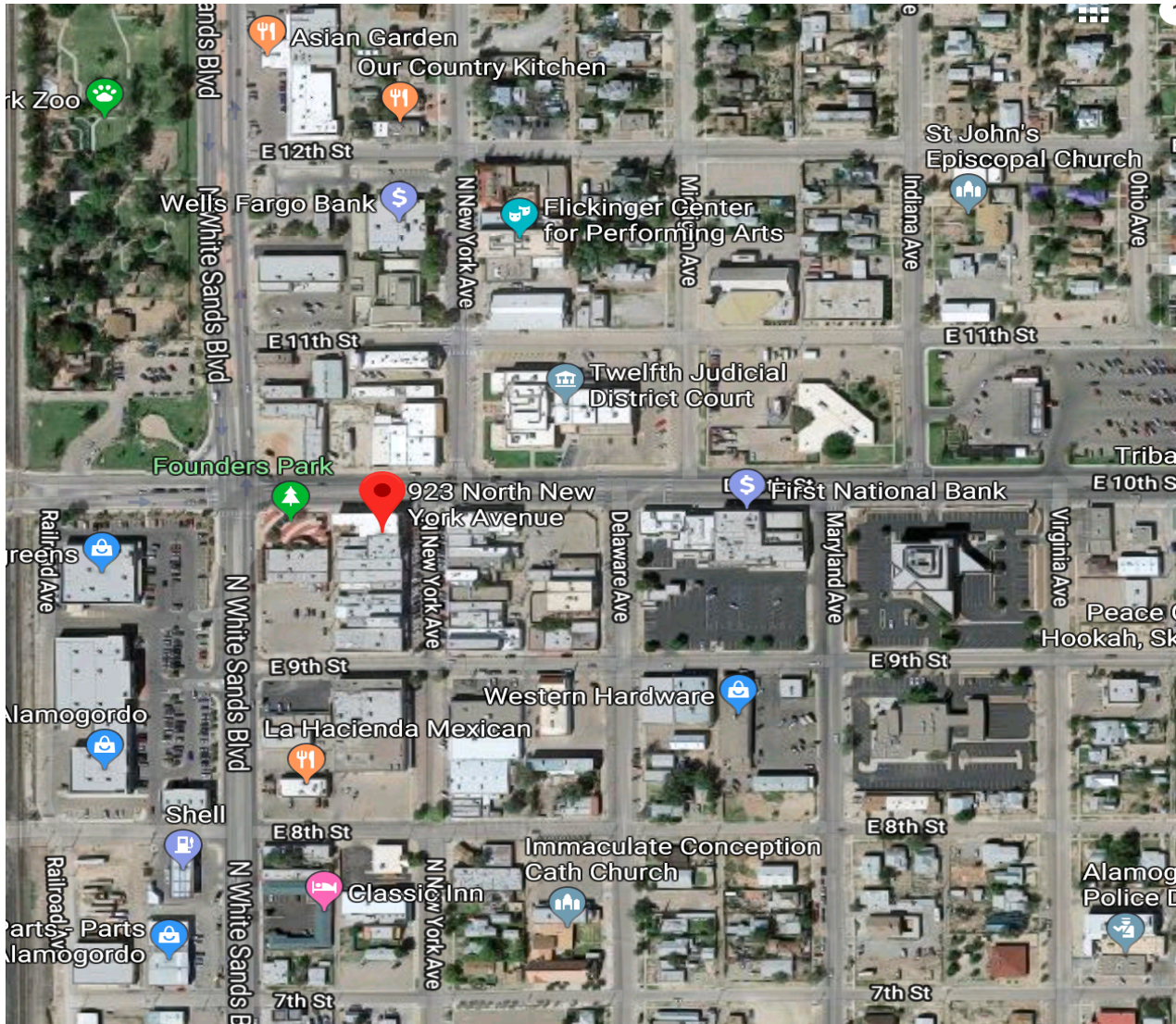
Exercise

**Part of the Alamogordo MainStreet Co-Development Team
Complete Concept Phase of Community Initiated Development**



Avis Building

923 New York Avenue, Alamogordo, NM 88310-6919



The Five Stages of Community Initiated Development

The CID process is divided into five stages: concept, analysis, preparation, implementation, and operation. The following chart lists the steps in each of the five stages.

Concept Stage Steps

C-1	Identify Opportunity Property opportunity Need/use/idea opportunity
C-2	Assemble Co-Development Team
C-3	Define Role of Co-Developers Objectives Contributions
C-4	Consider Appropriateness of CID
C-5	Formulate Skeletal Plan
C-6	Identify Information Sources and Assemble Available Studies
C-7	Identify Sources of Help
C-8	Review Available Information
C-9	Identify Seed Money: Source/Use
C-11	Compare Objectives, Contributions, and Climate
C-12	
C-13	
C-14	Decision Point - Options Abandon project Reconsider this stage Revise objectives Revise contributions

Proceed to next stage

Analysis Stage Steps

Preliminary Market Analysis

A-1	Community Profile
A-2	Target Area Profile
A-3	Supply Analysis Office Retail Residential Miscellaneous
A-4	Competitive Analysis Office Retail Residential Miscellaneous

A-5	Assemble Technical Assistance Team
A-6	Identify Potential Users
A-7	Consider Site Alternatives
A-8	Nine Investment Standards
A-9	Preliminary Cost Estimates
A-10	Preliminary Pro Forma Analysis
A-11	Calculate Gap Between Cost and Value
A-12	Preliminary Financial Plan
A-13	Decision Point - Options Abandon project Return to previous stage Reconsider this stage Revise objectives Revise contributions

Proceed to formal analysis

Formal Feasibility Analysis

A-14	Site Analysis
A-15	Building Analysis
A-16	Market Analysis
A-17	Marketability Analysis
A-18	Physical Design Studies
A-19	Financial Analysis
A-20	Appraisal
A-21	Other Analysis
A-22	Investment Threshold
A-23	Identify Legal Issues
A-24	Identify Public Participation
A-25	Forms of Public/Nonprofit Participation
A-26	Review Available Information
A-27	Compare Objectives and Information
A-28	The Developer Decision
A-29	
A-30	
A-31	Decision Point - Options Abandon project Obtain additional information Reconsider this stage Return to previous stage Revise objectives Revise contributions

Proceed to next stage

- Concept Stage Steps: C-1 to C-14
- Analysis Stage Steps: A-1 to A-31

Preparation Stage Steps

P-1	Finalize Co-Development Team and Technical Assistance Team
P-2	Choose Ownership Form
P-3	Legal Work as Required
P-4	Gain Property Control
P-5	Preliminary Plans and Specifications
P-6	Prepare City Package
P-7	Negotiations with Local Government Zoning approvals Variances Permits Public improvements Public participation Public funds Design review
P-8	Finalize Plans and Specifications
P-9	Finalize Cost Estimates
P-10	Revise Financial Projections
P-11	Prepare Lender Package
P-12	Financing Negotiations Contact mortgage broker Permanent loan commitment Construction loan commitment
P-13	Prepare Developer Package
P-14	Finalize Equity Contact syndicator Equity commitments - private Equity commitments - public
P-15	Tax Act Certification Process
P-16	Reevaluate All Information
P-17	
P-18	
P-19	Decision Point - Options Abandon project Obtain additional information Reconsider this stage Return to previous stage Revise objectives Final "go/no go" decision

Proceed to the next stage

Implementation Stage Steps

I-1	Acquire Property
I-2	Prepare Bid Documents
I-3	Bid Project
I-4	Select Construction Company
I-5	Revise Plans and Specifications if Necessary
I-6	Marketing and Leasing Assemble team Marketing plan Prepare standardized lease Preleasing
I-7	Finalize Financing Loan documents Receive funding
I-8	Collect Equity Funds
I-9	Construction Management Assemble team Construction management plan Supervise construction
I-10	Tenant Involvement
I-11	Inspect Construction Preliminary Final
I-12	
I-13	
I-14	

Operating Stage Steps

O-1	Prepare Property Management Plan Policies and procedures Operating budget Maintenance plan Capital improvements budget
O-2	Revise Marketing Plan
O-3	Rent the Property
O-4	Oversee Marketing or Leasing
O-5	Implement Property Management
O-6	Management of Ownership Entity Reports - owner relations
O-7	Update Market Conditions
O-8	Property Improvements as Required
O-9	Property Disposition
O-10	
O-11	
O-12	
O-13	Closing of Ownership Entity

- Preparation Stage Steps:
P-1 to P-19
- Implementation Stage Steps:
I-1 to I-11
- Operating Stage Steps:
O-1 to O-13

Resources

NMMS Technical Assistance:

- Identify your community priority
- Develop a feasibility plan
- Identify potential funding sources
- Work with an architect or landscape architect to design the concept and review licensed bids from contractors

Resources

Pro-forma Templates

<http://plannersweb.com/>



Financing Real Estate Development on Main Street

<https://www.nmmainstreet.org/WPBeta/wp-content/uploads/2018/06/RealEstateDevelopment.pdf>

Colocation Technical Assistance

<https://www.nonprofitcenters.org/>

For More Information

Derrick Archuleta

Arch+ Plan

arch.plan@comcast.net

Rhea Serna

rheaserna@gmail.com

415-519-5659

