Metropolitan Redevelopment Area (MRA) Plan Implementation Toolkit

- The toolkit describes the main statutory provisions and incentives under the Redevelopment Code statute

- Toolkit includes:
  - the Redevelopment Code overview
  - Public/Private Partnerships (P3)
  - Additional Tools/Incentives
  - Case studies from NM MainStreet communities
  - Tax Increment Finance (TIF) Districts

Metropolitan Redevelopment Code

- **NM State Statute (3-60A-1 to 3-60A-48 NMSA 1978)** empowers municipalities and counties with additional authorities to rehabilitate and redevelop areas that are deteriorated, blighted or underutilized in order to stimulate economic development

- Must establish a Metropolitan Redevelopment Area (MRA)

- Designation of an MRA is based on findings of deteriorated or blighted conditions

The MRA Plan

- Defines the community's vision and identifies priority catalytic projects to eliminate the blighted conditions and stimulate economic activity
  - Examines existing conditions/assets
  - Analyses the downtown economics and market
  - Develops a physical land use plan and design guidelines
  - Indicates specific redevelopment sites and projects
  - Identifies sustainable implementation strategies and funding sources

- Projects can include:
  - land acquisition/assembly,
  - Building rehabilitation and adaptive reus
  - Demolition
  - Zoning regulations
  - Transportation improvements
  - Community/Cultural facilities
  - Housing

Liberal Interpretation

- The last section in the statute, 3-60A-48. states "The Metropolitan Redevelopment Code shall be liberally construed to carry out its purposes."

- Provides the local governing body the flexibility to implement the Redevelopment Code tools in a creative manner to achieve the specific redevelopment goals and assets in the community.

- No "one size fits all" solution to the challenges and obstacles in redeveloping these blighted areas.

Public/Private Partnerships

- A public/private partnership (P3) is a cooperative and mutually beneficial agreement between two or more public and private sectors, typically of a long term nature

  - The private sector includes both the not-for-profit organizations as well as the for-private companies.

- The establishment of P3s is the main focus of the Redevelopment Code

  - Principal means of successful revitalization of the downtowns
  - In blighted areas the costs and risks are often too high for either sectors to take on projects individually.

- P3 complicated and difficult due to NM Constitution’s Anti-donation clause

NM Anti-donation Clause

- Forbids, with a few specific and limited exceptions, all state and local government subsidies:
  - Neither the state, nor any county, school district, or municipality *"... shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association, or public or private corporation .... ".*
- The NM Redevelopment Code, a current exception to the Anti-donation Clause, provides an example of the procedural safeguards that are employed to protect the public sector's interests.
- Under the Code, any subsidies proposed by municipalities or counties must be adopted by a series of ordinances.
  - This means that the public is given notice of the proposed subsidy, and is afforded a hearing to object to it.

There are two ways the MR Code provides relief from the Anti-donation clause.

- One is the language in the statute stating:

  "The powers conferred by the Metropolitan Redevelopment Code [Chapter 3, Article 60A NMSA 1978] regarding the use of public money are for public uses or purposes for which public money may be expended. The individual benefits accruing to persons as the result of the powers conferred by the Metropolitan Redevelopment Code [Chapter 3, Article 60A NMSA 1978]and projects conducted in accordance with its provisions are found and declared to be incidental to the objectives of that code and are far outweighed by the benefit to the public as a whole. Activities authorized and powers granted by the Metropolitan Redevelopment Code are hereby declared not to result in a donation or aid to any person, association or public or private organization or enterprise. The necessity for these provisions and the power is declared to be in the public interest as a matter of legislative determination."

- The second is the definition of "Fair Value."

Fair Value

- Definition of Fair Value:
  - *“Chapter 3.60.A.4.S. Fair value means the negotiated price or value of an asset or liability agreed upon by a local government and a private entity.”*

- Typically under state statute, the LGB must sell, lease, or dispose of public assets or resources at appraised or market value.
  - This is a difficult constraint on negotiating P3 agreements
  - Public assets often dilapidated or a unique one-of-a kind asset or building
  - Appraisals requiring comparable values of similar assets nearly impossible

- Fair value definition allows more flexibility in negotiating the value of the public assets with the private sector
  - Negotiations are required to be in open public meetings to insure transparency and accountability to the public.

Development Agreements

- Development agreements are contracts approved by the LGB and a developer to expressly define a development project’s rules, regulations, commitments, and policies for a specific period of time.

- The purpose is to strengthen the public planning process by encouraging private participation in the achievement of downtown revitalization according to the MRA Plan and reducing the economic costs of development

- A development agreement reduces the risks associated with development, thereby enhancing the City's ability to obtain public benefits beyond those achievable through existing funding and regulations.

Development Agreements

- The different types of development agreements can include:
  - Purchase Agreement, which is a contract between a developer and the City that involves the sale of City-owned land to the developer.
  - Lease Agreements, as a contract between a developer and the City that involves the lease of City-owned land or property to the developer.
  - Owner Participation Agreements, which involve a contract between a property owner/developer and the City to allow for development of property owned by an entity other than the City, generally the owner/developer.
- Development agreements specify which party is responsible for each aspect of the site redevelopment and the specific performance measures
- Penalties or reversion clauses are used to enforce the performance measures

P3 Case Studies

Case Study: Lovington Drylands Brewery P3

- The city owned a 2 acre vacant lot that they sold to Drylands Brewing on the fair value of $100.
- In exchange, the developer built the Brew pub and obligated to creating 10 manufacturing jobs and 20 service jobs supported by the new brewing and canning operation.
- Drylands Brewing Company restaurant, tap house and canning facility opened in 2017 in the Lovington MainStreet District.

- A vibrant entertainment and night life was one of the key economic development strategies of the Lovington Metropolitan Redevelopment Area Plan (MRA).

- A true public/private partnership:
  - NMMS technical assistance
    - developed a conceptual site plan
    - project implementation plan
    - business plan with the entrepreneurs
  - New Mexico Resiliency Alliance Funds
  - Local and State LEDA funds

Case Study: Santa Rosa Ilfeld Warehouse Adaptive Reuse P3

- Owned by the city:
  - Will be repurposed to include uses such as the Santa Rosa Visitor Center, Route 66 Museum, and Business Incubator
- Uses will be accomplished through a public/private partnership
  - Using a development agreement with private entities such as non-profit corporations, retail users, or developers.
- The city negotiated with the Guadalupe County Development Corporation (GCDC) to employ an Economic Development Director/Coordinator to coordinate the following:
  - Visitor Center/Business Incubator
  - Implement Affordable Housing project
  - Administer City’s LEDA Ordinance
  - Sublease available space in the Ilfeld Warehouse to prospective businesses

- City to provide the Ilfeld Warehouse and funds to employ the Economic Development Director/Coordinator

- GCDC goals and mission:
  - to work with business and the community to improve economic development, rehabilitation, redevelopment, downtown revitalization and conservation

- The city agrees to allow the GCDC to sublease a portion of the Ilfeld Warehouse.
  - Using the fair value definition, the city provides to the GCDC, for the first twelve months only, a rent fee for the building of $1 per month upon occupying the building.
  - Subsequent to the twelfth month, both parties agree to meet to discuss the new rate fee with consideration of potential revenue sharing.

Additional Tools/Incentives

Property Tax Deferral on Property/Improvements

- A property tax deferral for up to 20 years can be offered to individual property owners or business owners as an incentive to rehabilitate or make improvements to the building in accordance with the guidelines and policies in the MRA Plan.

Development/Permit fee waivers and expedited development plan review process.


- The LGB can offer to property owners/businesses a waiver of development fees or permit fees when the development plans are consistent with the MRA Plan’s goals and projects

- An expedited development plan review can also be offered as an additional incentive
    - Time and money are important to these owners and businesses and can be a strong incentive for redevelopment

City assets to assist property owners/businesses

- The LGB may provide small scale city assets or infrastructure improvements to individual owners or businesses using the fair value provision without the complexities of a P3 development agreement

- Memorandums of Understanding (MOU) or Easement agreements can be utilized to benefit individual property owner/businesses provided that there is also an equal public benefit.



Case Study: Gallup Alley Improvement Project

- City and private landowners cooperating in improvements to the alley
  - The alley surface is privately owned but there are several easements for public utilities and infrastructure through the alley
    - Through the fair value mechanism in an exchange of values, the city acquired surface easements from the property owners
  - Looking to enhance the existing alleys between Coal Ave, Aztec Ave and Highway 66
    - Improvements will be made to local parking areas, pedestrian and bicycle routes, and access routes to nearby businesses and government offices
    - Key elements include placing utilities underground, specialty paving, lighting, benches, and planters

  – The estimated cost for the Coal Ave Alley Project is about $1.15 million

Case Study: Farmington Shared Use MOU

- The City of Farmington provided two businesses with public parking spaces so that they could use the spaces for dumpster and maintenance purposes associated with the two restaurants

- In exchange, the businesses allow public parking in their lots during city events.

Zoning Code Amendments/Revisions

- The NM Redevelopment Code also has a provision to allow the LGB to create zoning code ordinances and amendments that will apply to only the MRA

- These ordinances can be tailored specifically to address the needs for revitalization within the area and provide incentives to property and business owners to rehabilitate/improve their properties

  - These ordinances can include provisions to increase site utilization/productivity such as reduced setbacks, increased building heights, and reduced on-site parking requirements

  - Another type can be to create Building Safety/Maintenance ordinances to improve vacant buildings and discourage buildings to be used for storage uses

Case Study: Lovington Economic "E" Zoning Ordinance

- Recently approved an ordinance that established a new zoning district in their downtown core titled an "E Zone" for Economic Zone

- Purpose of ordinance:
  - "to promote, as a matter of public policy, the preservation, protection, and enhancement of those buildings, properties, structures, sites, and incidental appurtenances used for commercial purposes that generate gross receipt tax revenue for the City of Lovington."

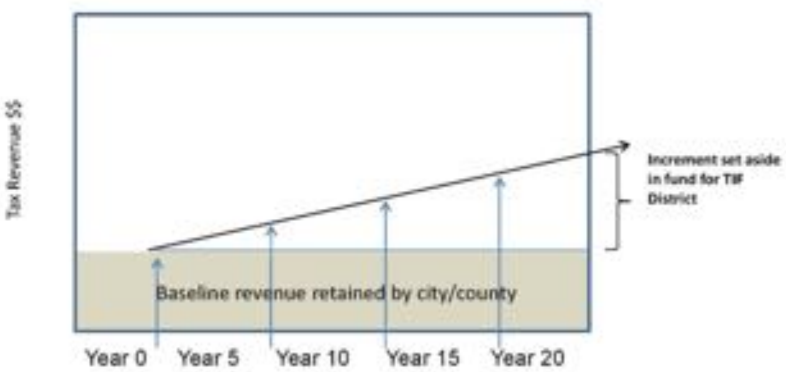
- The permitted uses within the zone include multiple residential dwelling units, Professional offices, Hotels or motels, and Retail businesses or facilities that generate gross receipts tax revenues for the City.
  - Non-permitted uses include Single family dwellings and Buildings repurposed for storage

Financing Tools

- Tax Increment Financing Districts (TIFs)
  - Uses additional property taxes generated in MRA to fund projects in area
  - Must be approved by local and county governments
  - Small amount of funds generated yearly

- Tax Increment Development Districts (TIDDs)
  - Uses additional property and gross receipts tax revenue (GRT) to fund projects
    - GRT revenue is typically higher than property tax revenue alone
    - Must be approved by referendum by State of New Mexico Board of Finance

- MRA Bonds



For More Information

Rhea Serna

NMMS Revitalization Specialist

Property Redevelopment

rheaserna@gmail.com

415-519-5659

Daniel J. Gutierrez

New Mexico MainStreet Director

daniel.gutierrez2@state.nm.us

505-827-0151