

City of Santa Fe, New Mexico

memo

Date: March 26, 2021

To: Governing Body – March 31, 2021

From: Rich Brown, Director of Community and Economic Development *RB*

CC: Jarel LaPan Hill, City Manager *JLH*

Subject: Action Memo for Moving Forward with the Midtown Development

ITEM & ISSUE:

The Exclusive Negotiation Agreement between KDC/Cienda Partners and the City of Santa Fe has been terminated. The City could move forward with another master developer, select projects or tenants, or cancel the Request for Expression of Interest (RFEI). The Evaluation Committee reviewed and scored the remaining proposals, and I contacted all the Master Developers who submitted proposals. For the reasons described below, and as the Procurement Manager for RFEI, I am canceling the RFEI. The City Manager and I have consulted on this decision and are in agreement.

Attached is a detailed technical memo, which addresses detailed analysis for the determination.. In brief, I recommend the City immediately start the zoning, planning, demolition, and remediation process for the Midtown Campus to increase the land value of the property, retain control over the process, and begin immediate, alternative processes that will bring high caliber projects to the campus to meet the community's goals for development.

The City has received legislative funding for the Midtown Campus and we have both a team of staff and contractors who can move forward quickly with zoning and development planning for approvals and get this development project moving forward more rapidly than if we linked up with another master developer in the near term. The timeframe for the City conducting zoning and development planning is 16-18 months, beginning immediately. Staff and contractors, as directed by Resolutions 2017-78 and 2018-54, will move this project forward as addressed in the attached technical memo. During this period, the Governing Body will be asked to approve any new large contracts and amendments, revised budgets, planning, zoning, and financial structures to move this process forward.

What follows is an Action Plan with 9 elements designed to provide a work program moving forward and a timetable for accomplishing these critical tasks.

ACTION PLAN

1. CITY AS MASTER DEVELOPER

The City will take on the role of preparing Midtown for planning and development. This lets us move faster and with more control by the Governing Body and more input from the people of Santa Fe. For that reason, we're canceling the RFEI. We will continue to be in contact with the previous respondents and others who have contacted us who have expressed interest as we move forward with zoning and development planning. We're taking back control of our own Midtown destiny, and will move to implement a series of initiatives to move the overall project forward.

2. SITE REZONING (Development Framework Plan)

The City will contract with an outside consultant who will become the applicant for a rezoning. We have a number of options that we are exploring and will be issuing a solicitation to local firms for planning and zoning services. This work can begin within the next three months (FY22). As with any zone change, it will need to go through the planning and approval process.

- Project Owner: City Land Use Staff, Strategic Economics/Opticos, Local Planning Firm (contracted applicant)
- Timeline: Contracting (3 months); Zoning Entitlements (approx 12 months)
- Governing Body Review and Approval:
 - Zoning and Planning Contractor
- Estimate Costs: TBD – Due by May 15

3. PLAN FOR INFRASTRUCTURE (Main Roads & Utilities)

As part of the rezoning/master plan application, the City will move forward with infrastructure planning and site development. This work will include items such as: clearing grounds, mitigating site conditions, planning phased development of main utility lines (electric, water, sewer, gas, data fiber) and primary road(s). These are the issues that we identified over the last year as needing to be addressed to add value to the site and make it ready for overall development.

- Project Owner: Project Manager, Public Works, Public Utilities Staff and Strategic Economics/Opticos team (current contractor)
- Timeline: Up to 16 months
- Governing Body Review and Approval:
 - Budgets and contracts for undertaking horizontal development
 - Property disposition terms and agreements
 - Public engagement is pursuant to the Resolution 2018-54 passed by the Governing Body in August 2018
 - Development framework plans
 - Regulatory land use and zoning
 - Public financing structures and funds allocation
- Estimate Costs: TBD – Due by June 30th

4. REUSE EXISTING BUILDINGS FOR COMMUNITY PURPOSES

➤ **Buildings of interest: Library Complex, Arts Center, Performing Arts Center**

City Staff will undertake the work of identifying early projects and programs that we can pursue to begin development at Midtown. The most immediate opportunities involve the Library Complex, Arts Buildings and the Performing Arts Center. Note, there will be some continuous use, but keeping in mind that there would be no build-outs, no new uses until zoning and development planning approvals have been obtained.

- Project Owner: Project Manager, Public Works Staff
- Timeline: Current and up to 6 months
- Governing Body Review and Approval:
 - Memorandum of Understanding with users (lessees)
- Estimate Costs: TBD – Due by June 30th

5. PREPARE SITE AND BUILDINGS FOR REUSE AND REDEVELOPMENT

City Staff will immediately identify buildings to be kept and put into productive use and buildings that need to be torn down so development can take place. The \$1 million allocation just made by the State to the City for Midtown site preparation will be of enormous help in moving forward rapidly on this step.

1. Demolish substandard buildings
2. Remediate negative site conditions
3. Establish vacate terms in temporary leases based on incremental development phasing

- Project Owner: Midtown Project Manager, Public Works Staff, STT Teams
- Timeline: Current and up to 9 months
- Governing Body Review and Approval:
 - Building Demolition contracts
 - Site remediation contracts
 - Renewal Leases for new uses
- Estimate Costs: TBD – Due by July 30

6. GARSON STUDIOS COMPLEX

City Staff will move forward immediately to look for productive and financially advantageous ways to promote the Garson Study Complex. First step is to meet with our State Film Office partners, then our Film Industry and Education partners (including high profile, national production companies). One opportunity that has emerged over the last year is a proposal to use the Garson Studios to access and establish a new model for a Premiere Film and Multimedia Studios and Film School.

- Project Owner: Project Manager, STT Teams

- Timeline: Currently under lease, but up to 9 months
- Governing Body Review and Approval:
 - Film Production Lease with long term contractor
 - Memorandum of Understanding with educational institution
- Estimate Costs: TBD – Due by August 30

7. IDENTIFY PARCELS FOR MIXED INCOME AND AFFORDABLE HOUSING DEVELOPMENT

City Staff will work with local developers and non-profits to identify immediate opportunities for a project that would take Midtown parcels that could be developed as affordable housing, mixed income and mixed use projects.

- Project Owner: Project Manager, STT Teams, Strategic Economics/Opticos (current contractor)
- Timeline: identify parcels up to 6 months as part of development planning process
- Governing Body Review and Approval:
 - MOU with developers
- Estimate Costs: TBD – Due by August 30

8. ACCESS AND ESTABLISH A PUBLIC FINANCING MECHANISM

City Staff will work immediately to explore the advisability of establishing some form of a public finance structure(s), such as Metropolitan Redevelopment Act, Tax Increment District, or other public finance instrument or organization.

- Project Owner: Project Manager, STT Teams and Strategic Economics (current contractor)
- Timeline: Up to 9 months
- Governing Body Review and Approval:
 - Metropolitan Redevelopment District Resolution
 - If MRD path, Resolution for 'Blighted Site' designation
 - Various bond, Tax Increment Financing, Opportunity Fund approvals
- Estimate Costs: TBD – Due by July 30

9. PUBLIC ENGAGEMENT FOR DEVELOPMENT PLANNING

City Staff will build on existing Midtown Planning Guidelines to engage the public in the zoning and planning processes. This process (under way) will identify and inform key development policies, programs, and land uses.

- Project Owner: Project Manager, STT Teams, UNM DPAC Team (current contractor)
- Timeline: Currently underway, align with zoning and land use, completed end of Q4 2021
- Governing Body Review and Approval:

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- Any new Memorandum of Understanding with public engagement contractor
- Estimate Costs: No new costs

Attachment: Midtown Incremental Development technical details memo

MIDTOWN

Date: 31MAR2021
To: Governing Body of the City of Santa Fe
From: Daniel Hernandez, Proyecto, Midtown Project Manager
Via: Richard Brown, Director, Economic and Community Development
Jarel LaPan Hill, City Manager, City of Santa Fe
Subject: **Midtown Moving Forward**
Zoning, Master Planning Development and Investment
Next Steps

PURPOSE

The purpose of this document is to describe viable and clear next steps for moving forward with the redevelopment of the Midtown Site.

PUBLIC GOALS

AS the City moves forward, the primary objective is for the City to diligently manage the process for ensuring that the City is better positioned to maximize opportunities for achieving shared public goals at the Midtown Property:

- **Development Goals:** land uses that create a dynamic live, work, learn, play environment.
- **Economic Goals:** public investment to create land value that reduces or eliminates the City's financial operating obligation and provides the opportunity to incorporate community development benefits into the reuse and redevelopment.
- **Community Goals:** public engagement that serves as the underpinning for achieving a broad spectrum of housing, economic, and other community and sustainable development objectives.

CORE STRATEGIES

1. **Cancel the RFEI Solicitation**
 - a. Ensure Governing Body has clear stewardship and oversight
2. **Initiate City-Driven Infrastructure Development**
 - a. Engage the Public
 - b. Rezone Midtown and Create the Development Framework
 - c. Initiate early state projects
 - Reuse Buildings and Redevelop Parcels
 - Create a Premiere Garson Studios

Note: Please refer to Exhibit: Next Steps for more detailed information. Following is a brief summary of Next Steps.

Why. Development challenges were highlighted during the RFEI's Exclusive Negotiation Agreement period. Moving forward with another master developer would continue and potentially exacerbate these challenges. In particular, the existing scope of work from the RFEI hinders private sector investment and limits City's ability to achieve shared public goals. In direct response to these development challenges, City staff established focused Strategic Tactics Teams (STTs) to develop action-oriented, informed, tactics to achieve specific outcomes. The key tactics and related next steps and outcomes are described below.

What. The City will move forward as the zoning, infrastructure and master planning developer (horizontal development). This development typically refers to zoning, clearing grounds, mitigating site conditions, planning phased development of main utility lines (electric, water, sewer, gas, data fiber) and primary road(s). Undertaking these initial horizontal development investments positions a site for vertical development (building).

When. The City will take this horizontal development next steps over the next 16-18 months. And be completed prior to disposing of the property. Completing horizontal development prior to disposition creates higher levels of certainty and reduces risks for developers and development, while also increasing land value.

Who. Key City Directors and Staff and a focused consultant team will organize to undertake and complete a series of horizontal development tactics. In addition, they will continue to meet with the multi-disciplinary, inter-departmental Midtown Steering Committee. Key City Staff include:

- Richard Brown – Director, Economic and Community Development
- Eli Isaacson – Director, Land Use
- Regina Wheeler – Director, Public Works
- Alexandra Housing – Director, Affordable Housing
- Mary McCoy – Director, Finance
- Brad Fluetsch – Finance
- Sam Burnett – Public Works

Recognizing that City Directors and Staff require additional capacity and support, the following consultant team, some of which are currently part of the Midtown Project Team, will continue the work with a clear focus on horizontal development tactics:

- Daniel Hernandez – Proyecto, Midtown Redevelopment Project Manager
- Dena Belzer – Strategic Economics, Midtown Financing Analyst
- Stefan Pellegrini – Opticos, Midtown Development Framework Planner
 - Note: Opticos team includes engineers experienced in sustainable infrastructure
- Michaele Pride – UNM Design & Planning Assistance Center (DPAC), Midtown Public Engagement Manager
 - DPAC team includes community-based organizations experienced in community engagement

The horizontal development tactics will require additional consultants on the team (contracts approved by Governing Body) that will be locally-based companies with Santa Fe and New Mexico experience, including:

- Planning and Zoning Consultant - Applicant entity for rezoning
- Infrastructure Engineering
- Mechanical, Electrical, Plumbing (MEP) and Structural Engineering
- Site Assessment Consultants

Future Governing Body Approvals. During the horizontal development process, the Governing Body will be asked to review and approve the following:

- Budgets and contracts for undertaking horizontal development
- Property disposition terms and agreements
- Public engagement is pursuant to the Resolution 2018-54 passed by the Governing Body in August 2018
- Development framework plans
- Regulatory land use and zoning
- Public financing structures and funds allocation

EXHIBIT: NEXT STEPS

CANCEL THE RFEI

The primary benefits of canceling the RFEI are to:

- Removes legal barriers for issuing more specialized solicitations on zoned parcels and pre-identified sites for specific land uses and with clearer delineation of developer responsibilities regarding infrastructure and other horizontal development tasks.
 - Use the next phase of public engagement to ensure that future solicitations achieve community and sustainable development objectives informed.
 - Positions the City to lead negotiations and achieve public development, economic, and community development goals for the Midtown Property.
- A. The horizontal development tasks are activities that the City may have led and/or funded (partially or fully) in a master development strategy, which would have been negotiated during the Exclusive Negotiation Agreement (ENA) period. Cancelling the RFEI provides the opportunity for faster, more specific outcomes than restarting with a different master developer and ENA process and gives the City much greater control over project delivery, especially with regard to aligning future development with community goals for the Midtown Property.
- B. The RFEI scope of work no longer matches the types of initial horizontal development activities that the City must undertake to overcome redevelopment challenges and prepare the site for development. These redevelopment challenges will continue to confront future prospects for disposition and development to achieve public goals if not addressed upfront. For example:
- *Site Due Diligence.* RFEI required respondents to perform various site due diligence activities. By canceling the RFEI, the City is positioned to address due diligence and thereby increase land value, reduce risk, and increase development certainty. ***Governing Body approves budgets and contracts for undertaking horizontal development.***
 - *Land Disposition – Land Valuation.* RFEI provided for the negotiation of disposition to occur during the ENA period between the City and master developer. Through phased disposition managed by the City, incremental development provides the City with more control over the phasing and types of disposition and land valuation negotiations based on the level of investment that the public sector has taken to prepare the site for development. ***Governing Body approves final disposition terms and agreements.***
 - ***Community Outreach & Engagement.*** RFEI requires the selected respondent to coordinate with the City to in public engagement activities. The City has contracted with the University of New Mexico (UNM) Design and Planning Assistance Center (DPAC) to undertake a dynamic, unbiased, people-oriented, value-driven approach to public engagement. These services would have been more complex if they also included a master developer. Public interests around land uses and other community and sustainable development objectives are included the next phase of the public engagement process. ***Governing Body adopted Resolution 2018-54 in August 2018, regarding public engagement.***

- *Development Plan and Schedule.* RFEI requires the selected respondent to coordinate a development plan. After it cancels the RFEI, the City will create a development plan for implementation by developers. The development plan will be a framework to provide for developers to conduct standard financial analysis, designing, financing, and implementing specific incremental development plans in response to future solicitations that the City will issue. **Governing Body approves the Development plans.**
- *Development Approvals.* RFEI requires selected respondent to obtain all regulatory development zoning approvals and construction permits. After cancelling the RFEI, the City will proceed with coordinating an application process for land use approvals as part of the development framework planning process. Construction permits will be the responsibility of developers for specific projects in an incremental development strategy. **Governing Body approves regulatory land use and zoning approvals are approved by the Governing Body.**
- *Development Financing.* The RFEI requires the selected respondent to develop financing structures for securing finance for horizontal and vertical development and for financing proposed projects, but it also permits the developer to use the City’s public financing tools. As such, the horizontal development tasks are activities that the City may have led and/or funded (partially or fully) in a master development strategy. After canceling the RFEI, the City will proceed with horizontal activities with the goal of increased land value, reduced risks, and increased development certainty. Land economic analysis is included in the City’s consulting team scope of work to evaluate levels of investment and return that may be expected to achieve public development, economic, and community goals. **Public financing structures and appropriations are approved by the Governing Body.**
- *Other Scope of Work Items.* The RFEI requires the selected respondent to undertake other standard activities related to the development of projects. These activities will be included in future solicitations’ scopes of work.
 - Design and Construction
 - Property and Asset Management
 - Business Enterprise
 - Inclusionary Zoning
 - Coordination and Coordination with Public Agencies
 - Taxes
 - Insurance

COST BENEFIT ANALYSIS

- To be created to illustrate variables
- Compares pros/cons to demonstrate why City-driven horizontal development strategy achieve higher level of objectives
- To be completed for presentation to Governing Body by April 2021

VARIABLES	PRIVATE MASTER DEVELOPER	CITY HORIZONTAL DEVELOPER
Time		
Money		
Risk		
Limitations / Flexibility		
Public Goals		

INITIATE CITY-DRIVEN ZONING, INFRASTRUCTURE AND MASTER PLANNING DEVELOPMENT

1. **Increase Land Value**
Reduce Investment Risk / Increase Development Certainty
2. **Engage the Public**
Identify and Inform key development policies, programs, and land uses
3. **Proceed with Early Projects**
Reuse Buildings and Redevelop Sites

1. Create Land Value

Reduce Investment Risk / Increase Development Certainty

A. Re-Zone, Development Framework, Infrastructure Plan

I. Land Use and Zoning

Lead: Eli Isaacson (Director, Land Use)

Zoning Application: Local Planning Firm (procured through solicitation)

Advisor: Opticos (consultant currently on project team)

- Rezone and utilize a broad range of allowable uses in the C2 zone and the LINC Overlay to encourage a vibrant, mixed-use environment.
- Establish specific development standards to ensure predictable and flexible build-out, informed during the ENA and Charrette process, and the consultant team.
- Align rezoning and public engagement process.
- Rezone site to C2 to allow access to the Midtown Overlay zoning incentives for the type of development that achieves community development objectives, such as affordable housing, green infrastructure and building, and other sustainable development goals.
- Assess appropriate district area to maximize potential of public financing structures, e.g. Metropolitan Redevelopment Act (MRA), Tax Increment Financing (TIF) This district will encompass an area larger than just the Midtown site, including the LINC district, to facilitate better development and financing strategies in this key part of the City.

II. Development Framework Planning

Lead: Eli Isaacson (Director, Land Use)

Consultant: Opticos (consultant currently on project team)

Advisor: Local Planning Firm (procured through solicitation)

- Develop a site capacity study with a development program.
- Identify and prioritize access points for increased connectivity and circulation with a focus on pedestrian and bike access.

- Create development phasing strategies that provide for incremental disposition and development within a cohesive framework.
- Integrate stormwater management and other sustainable site strategies.

II. Utility, Stormwater, and Main Spine Infrastructure Planning

Lead Project Manager: Sam Burnett (coordinate City utility, water, public works departments to ensure Director level involvement)

Consultant: Opticos sub-consulting engineers (sub-consultants currently on project team)

Consultant: Local/ Regional Engineering firm (procured through solicitation, as necessary)

- Use existing infrastructure for early disposition and development.
- Assess and Identify future infrastructure needs to support incremental development, including phases, cost estimates, and funding sources.

B. Prepare Site for Reuse and Redevelopment

Lead: Regina Wheeler (Director, Public Works)

Project Manager: Sam Burnett (Public Works)

Demolition/ Construction: Local firm(s) (procured through solicitation)

- I. Demolish substandard buildings
- II. Remediate negative site conditions
- III. Establish vacate terms in temporary leases based on incremental development phasing

C. Structure Public Finance Instruments

Lead: Mary McCoy, Brad Fluetsch (Director, Finance)

Co-Lead: Richard Brown (Director, Economic Development)

Consultant: Strategic Economics (consultant currently on project team)

- I. Determine and establish most effective public finance structure(s), such as Metropolitan Redevelopment Act, Tax Increment District, other.

2. Engage the Public

Identify and Inform key development policies, programs, and land uses

A. Move beyond Midtown Planning Guidelines to engage the public in zoning and planning process.

Lead: Alexandra Ladd, (Director, Affordable Housing)

Consultant: University of New Mexico, Design & Planning Assistance Center with Santa Fe Art Institute, Little Globe (consultant team under contract)

Advisor: Proyecto (consultant on project team)

- I. Engage the public in land use and development objectives discussions that will inform zoning and the development framework
 - a. Implement the Midtown Public Engagement Plan to inform and engage people in process, progress, and meaningful input.
 - b. Post and update engagement calendar of events on the Midtown District website and the Culture Connects website managed by the City’s public engagement process – UNM Design & Planning Assistance Center (DPAC).
 - c. Create the **Midtown Sustainable and Community Development Plan** identifying outcomes of the engagement process, including key development policies, programs, and land uses focused on equitable and sustainable development.

- B. Continue to issue public reports and presentations in the spirit of facilitating a “Community of Learning”:**

Lead: Richard Brown, (Director, Economic Development)
Consultant: Proyecto (consultant on project team)

 - I. Progress Reports – monthly to City Council and included in City Council meeting packages. Reports are posted on the Midtown District website for public access.
 - II. Project Presentations – monthly at City Council hearings. Presentations are posted on the Midtown District website for public access.

3. Proceed with Early Projects

Reuse Buildings and Redevelop Sites

- A. Initiate Reuse of Existing Buildings to achieve development goals:**
 - i. Inspect existing building identified for reuse to establish baseline required structural, mechanical, electrical, plumbing, and code improvements and costs. (Baseline to be negotiated as part of disposition terms.)

 - ii. Premiere Film and Multi-Media Studios and Film School
 - Garson Studios

 - iii. Public Purpose Buildings:
 - Arts Center
 - Library Complex
 - Performing Arts Theater

- B. Initiate Early Phase Development to achieve sustainable and community development goals:**
 - a. Mixed-Income and Affordable Housing Development (mixed-use if feasible)

ESTIMATED COSTS:

- To be completed and presented to Governing Body by end of April, 2021

Zoning, Infrastructure and Master Planning Development Costs (estimated and rounded)

* Project Consultant Team (currently on project team)	\$X
Development Framework Plan (Opticos + sub-consultant engineers)	
Public Finance and Economic Analysis	
Development Project Management	
Planning Firm (zoning application)	\$X
Infrastructure Assessments	\$50,000
Building Assessments	\$250,000
Environmental Site Assessments	\$16,000
Site Remediation	\$X
Demolition	\$X
Rehabilitation (baseline improvements)	\$X
Site Survey	\$25,000
TOTAL	\$X

* Amount represents additional costs to complete horizontal development activities. However, it should be noted that much work undertaken during the RFEI and ENA will be applied to the horizontal development scope of work.

SCHEDULE

- 16 month highly graphic schedule for zoning, infrastructure and master planning development
- Will illustrate achievements and outcomes
- To be completed by end of April 2021