

# UPDATE TO THE ALBUQUERQUE AREA MASTER PLAN



PRESENTATION TO THE  
CAPITOL BUILDINGS PLANNING COMMISSION

JUNE 22, 2017



ARCHITECTURAL RESEARCH CONSULTANTS, INCORPORATED

# Agenda



- **Review Project Purpose /Process / Key Questions**
- **Consolidated Facility Characteristics**
- **Investigation of Consolidation Alternatives**
- **Preliminary Findings**



# Project Purpose / Process / Key Questions

# Overall State Intent



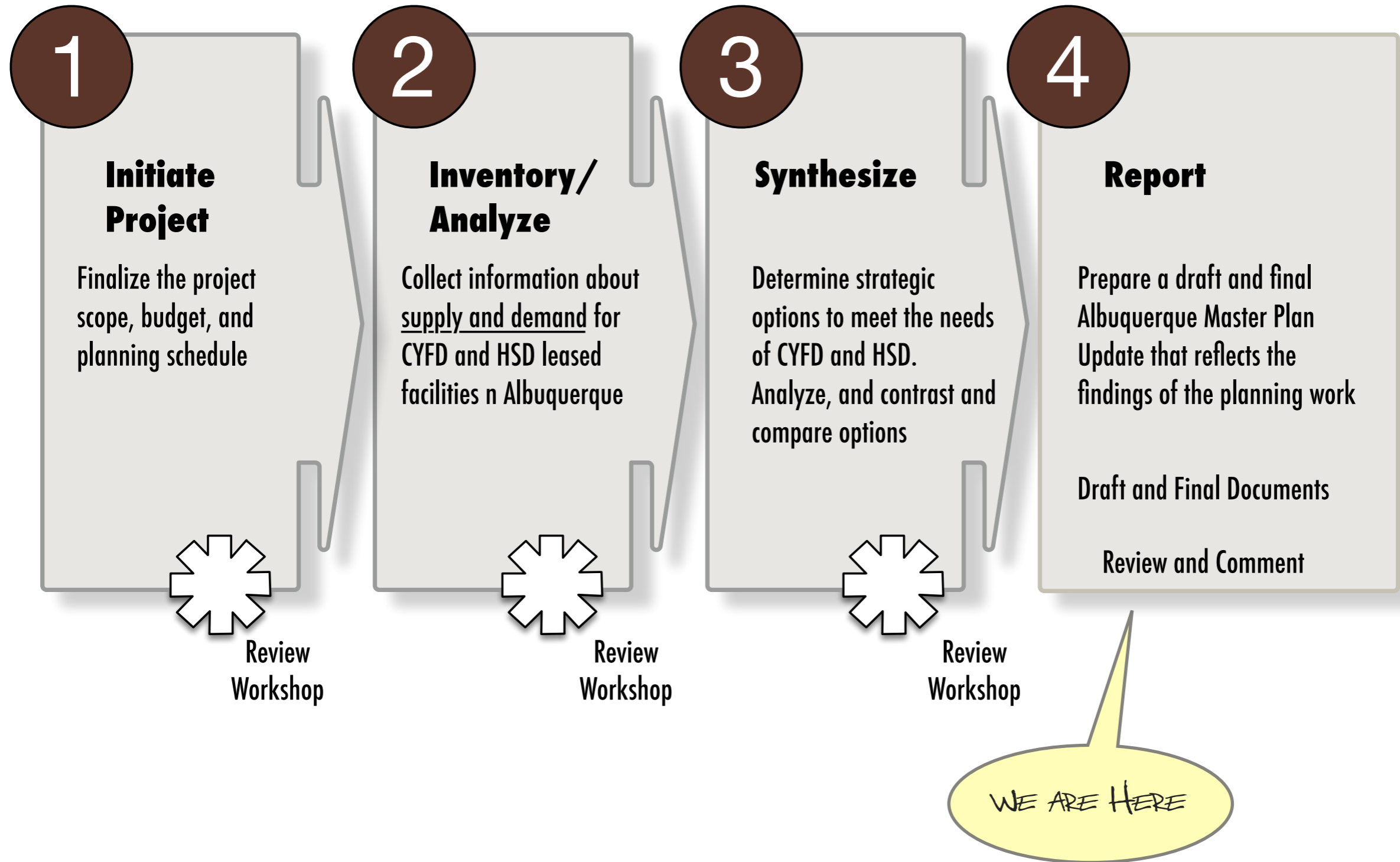
- **Move State agencies located in the Albuquerque area from leased space and into State-owned facilities when feasible**
- **Colocate State agencies to facilitate access to services and to promote economies of scale**



- **Purpose: To develop a strategic plan to colocate the Children, Youth and Families Department (CYFD) and the Human Services Department (HSD) into State-owned facilities in Albuquerque in a manner that reflects the long-range strategic plans for those agencies**

*The study excludes the existing campus of the Youth Diagnostic and Development Center (YDDC) of the CYFD and State-owned and leased facilities in Los Lunas*

# Approach / Process



# Key Questions



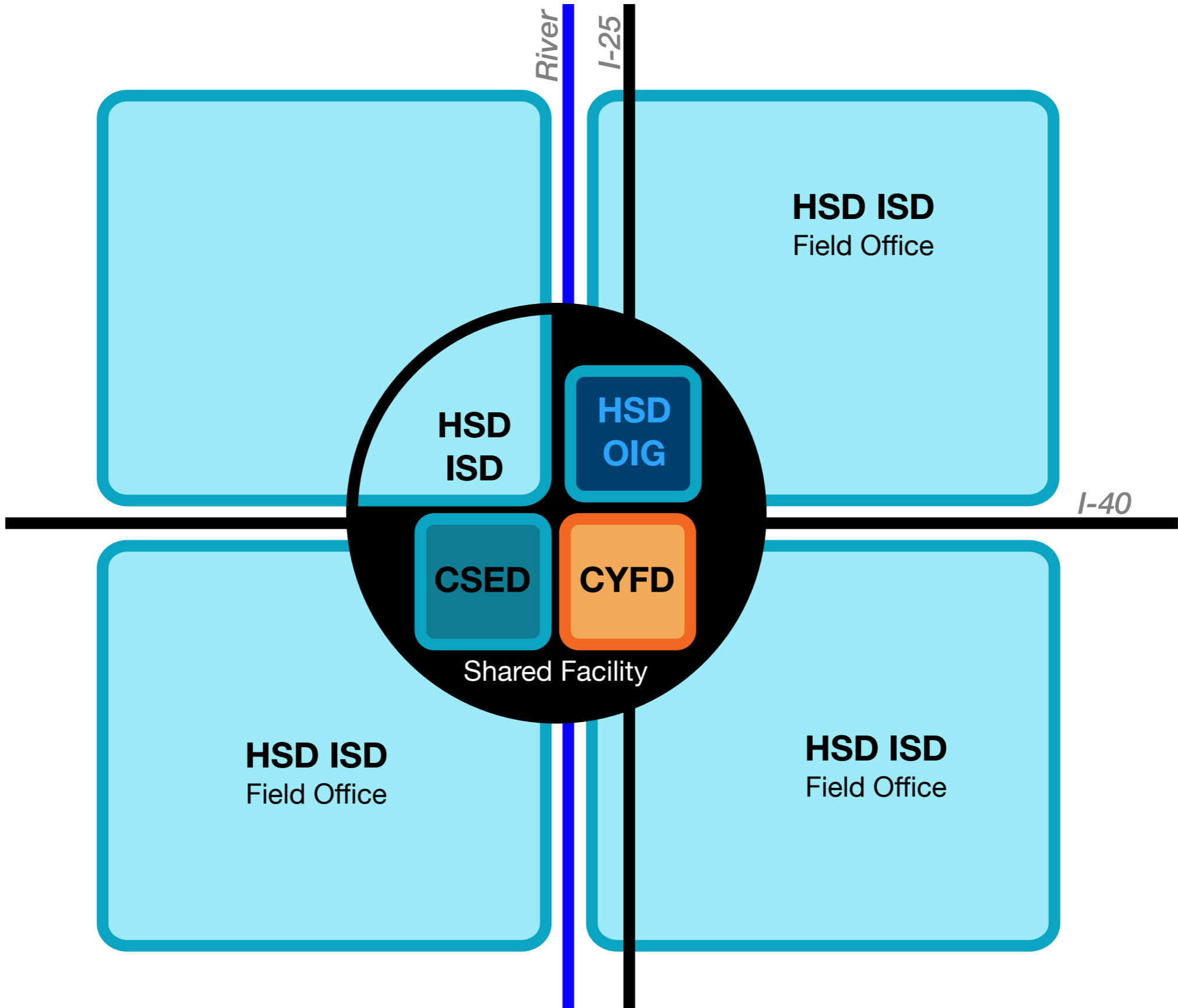
- **Are there sufficient benefits to consider consolidating HSD and CYFD operations in the Albuquerque area? ...**
  - *What are the characteristics of a consolidated facility? (size and location)*
  - *What consolidation alternatives are available? (potential costs and benefits)*



# Consolidated Facility Characteristics



# Optimal Service Distribution



# Existing Leased Facilities



SUMMARY

	Existing RSF	Current Lease Cost	Cost / SF	Budgeted Positions
<b>HSD</b>	71,058	\$1,612,171	\$22.69	193
<b>CYFD</b>	118,714	\$2,973,536	\$25.05	436
	<b>189,772</b>	<b>\$4,585,707</b>		<b>629</b>
Average Rent / SF		\$24.16		

HSD

#	Site Name	Address	RSF	\$Lease	Budget FTE Filled	Budget FTE Vacant	Temp FTE Filled	Temp FTE Vacant	Other FTE Filled	Other FTE Vacant	\$/SF	SF/FTE	Lease Expiration	Years Left
1	Leased	1010 18th St NW	25,267	\$448,489	43	11	0	0	1	0	\$17.75	468	12/31/24	7.6
2	Leased	1015 Tijeras Ave NW	20,258	\$400,000	101	14	0	0	0	0	\$19.75	176	7/31/18	1.1
3	Leased	1041 Lambertson PI NE	21,253	\$672,044	0	2	1	3	0	0	\$31.62	10,627	3/31/23	5.8
7	Leased	8909 Adams St NE	4,280	\$91,638	19	3	0	0	0	0	\$21.41	195	7/31/19	2.1
			<b>71,058</b>	<b>\$1,612,171</b>	<b>163</b>	<b>30</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>\$22.69</b>	<b>368</b>		
													193	

CYFD

#	Site Name	Address	RSF*	lease \$	Budget FTE Filled	Budget FTE Vacant	Temp FTE Filled	Temp FTE Vacant	Other FTE Filled	Other FTE Vacant	\$/SF	SF/FTE	Lease Expiration	Years Left
1	Leased	1031 Lambertson PI NE	40,498	\$1,080,883	127	14	0	0	0	0	\$26.69	287	4/30/21	3.9
2	Leased	300 San Mateo Blvd NE Suite 200-800	73,044	\$1,855,903	254	41	0	0	2	1	\$25.41	248	1/31/19	1.6
3	Leased	300 San Mateo Blvd NE Suite 401	1,274	\$19,731	0	0	0	0	0	0	\$15.49		3/31/19	1.8
4	Leased	300 San Mateo Blvd NE Suite B2	1,098	\$17,019	0	0	0	0	0	0	\$15.50		1/31/19	1.6
5	Leased	5301 Central Ave NE	2,800		0	0	0	0	0	0	\$0.00		1/31/19	1.6
			<b>118,714</b>	<b>\$2,973,536</b>	<b>381</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>\$25.05</b>	<b>273</b>		
													436	



- **Commonalities**

- *Both provide social services (often serve the same clientele)*
- *Both have similar training needs*
- *Both have interaction/connection to the courts (district and children's courts)*
- *Both participate in NM's Behavioral Health Initiative (mental health and substance abuse/prevention programs)*

- **Differences**

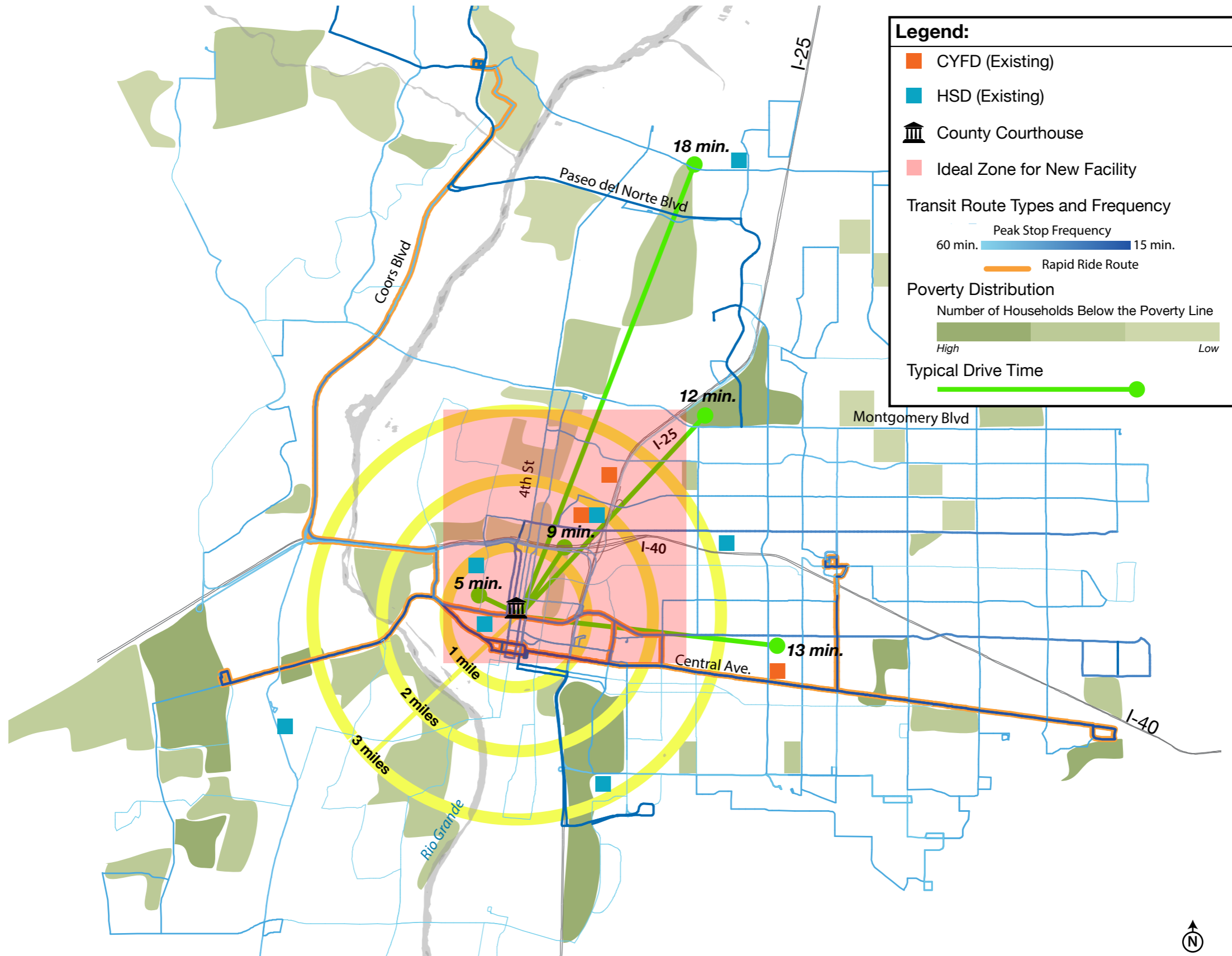
- *HSD ISD operates on a distributed services model*
- *Some differences in federal privacy regulations, which can mean access control / separation requirements*

# Colocation Concerns



- **Both agencies are concerned about conflicts between clientele**
- **Sharing common facilities such as break rooms, conference space and training facilities is a concern**
- **Privacy regulations differ even between HSD's Income Support Division (ISD) and Child Support Enforcement Division (CSED) - access control should be achievable with modern access control systems**
- **Cultural differences between agencies**

# Metro Area Map



# Consolidated Facility Space Needs

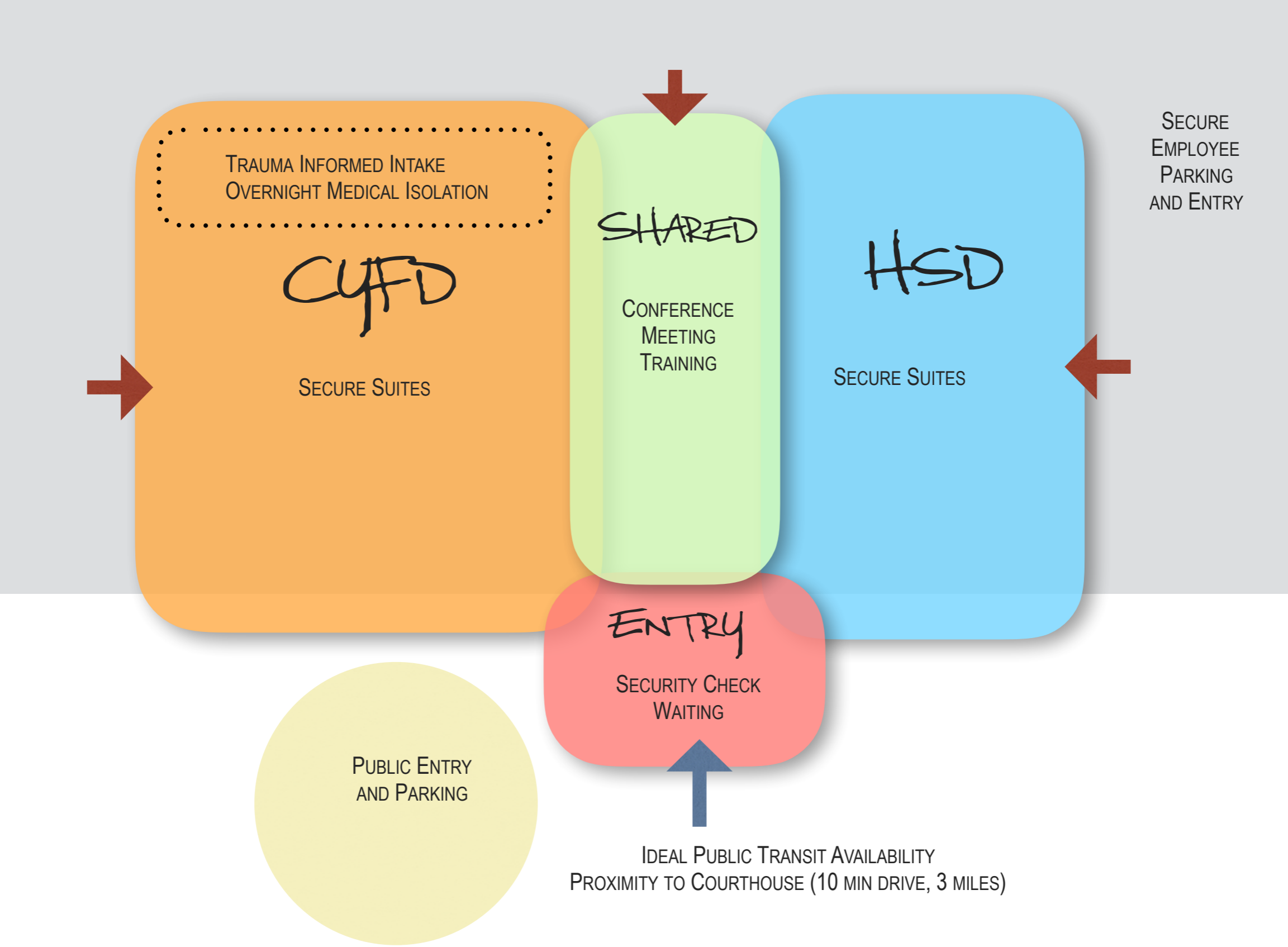


	<b>CYFD</b>	<b>HSD</b>
FTE Accommodated	464	183
1. Workstations	31,044	13,784
2. Meetings / Conference	14,350	6,050
3. Equipment and Storage	7,700	3,270
4. Other Office Support Areas	3,120	1,580
<b>Subtotal Primary Office</b>	<b>56,214</b>	<b>24,684</b>
Internal Circulation	22,486	9,874
<b>Subtotal USF</b>	<b>78,700</b>	<b>34,558</b>
Non-Assignable Common	7,870	3,456
<b>Subtotal Primary Office RSF</b>	<b>86,570</b>	<b>38,014</b>
5. Special Areas	31,230	6,725
Internal Circulation	12,492	2,690
<b>Subtotal USF</b>	<b>43,722</b>	<b>9,415</b>
Non-Assignable Common	4,372	942
<b>Subtotal Special Areas RSF</b>	<b>48,094</b>	<b>10,357</b>
<b>Total RSF Primary Office and Special Use</b>	<b>134,664</b>	<b>48,371</b>
<b>RSF Combined</b>	<b>183,035</b>	
<b>Preliminary GSF</b>	<b>168,330</b>	<b>60,464</b>
<b>Preliminary GSF Combined</b>	<b>228,794</b>	

Space for accommodating people

Space for accommodating Special Use Functions

# Consolidated Facility





# Investigation of Consolidation Alternatives



# Summary: Benefits of Colocation



- **More supportive environment for kids and families (space does not exist currently)**
- **Better service to the public**
  - *Clustering provides some benefit to public customers (accessible, near public transportation, etc.)*
- **Better communication between agencies**
  - *Ability to cross-fertilize ideas between agencies*
  - *Potential to improve operational efficiency*
- **Potential reduction in lease / annual operational costs**
  - *Optimize space (e.g., consistent space distribution)*
  - *Potential reduction in lease rates*

# Annual Lease Costs



- **Optimizing space can potentially reduce annualized lease cost to the state**

	Existing RSF	Current Lease Cost	Cost / SF	Budgeted Positions	Needed RSF	Difference RSF	Savings (-Loss)
<b>HSD</b>	71,058	\$1,612,171	\$22.69	193	48,370	-22,688	\$514,748
<b>CYFD</b>	118,714	\$2,973,536	\$25.05	436	134,000	15,286	-\$382,882
	<u>189,772</u>	<u>\$4,585,707</u>		<u>629</u>	<u>182,370</u>	<u>-7,402</u>	<u>Net Annual Savings \$131,865</u>

Average Rent / SF    \$24.16

RSF to GSF factor            0.8  
Assumed GSF if New (rounded)    228,000

**\$5.3 million over 40 years (~\$3 million present value)**

# Consolidation Options



- **Continue to lease**
  - *In existing*
  - *In optimized space with better market rates*
- **Construct new**
  - *Cash*
  - *Debt finance*
  - *Lease - Purchase (build to suit)*
- **Purchase existing building**
  - *Cash*
  - *Debt finance*
  - *Lease - Purchase (build to suit)*

State can break a lease if:

there are:

- Not sufficient funds
- Space in a space owned building is available
- Will of the governor

Higher risk to lessor will tend to raise state lease rates

# Consolidation Options



Considerations	Lease	Construct / Purchase (Cash)	Construct / Purchase (Debt)	Lease - Purchase
Acquire: Operating Funds	●		○	●
Acquire: Capital Funds		●	○	
Operating Costs (Other than lease)		●	●	
Periodic Capital Investment		●	●	
Ownership / Residual Value		●	●	
Lower Initial Cost				●
Lower Long-term Cost		●	○	

# Characteristics of Market Area



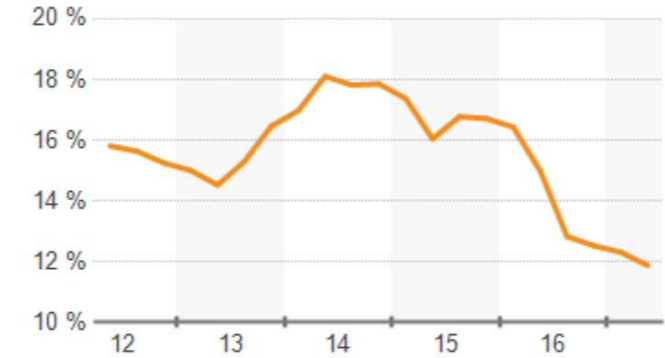
## Office - Abq Metro Multi-Tenant

Availability	Survey	5-Year Avg	Inventory	Survey	5-Year Avg
Gross Rent Per SF	\$16.06	\$15.61	Existing Buildings	545	542
Vacancy Rate	11.9%	15.7%	Existing SF	19,870,745	19,812,360
Vacant SF	2,358,523	3,114,470	12 Mo. Const. Starts	18,000	19,333
Availability Rate	14.7%	18.5%	Under Construction	0	13,553
Available SF	2,914,450	3,671,647	12 Mo. Deliveries	35,753	22,958
Sublet SF	22,754	165,286			
Months on Market	14.2	22.3			

Demand	Survey	5-Year Avg	Sales	Past Year	5-Year Avg
12 Mo. Absorption SF	935,642	146,846	Sale Price Per SF	\$31	\$63
12 Mo. Leasing SF	1,235,861	847,122	Asking Price Per SF	\$114	\$109
			Sales Volume (Mil.)	\$14	\$45
			Cap Rate	-	8.2%

Market is large enough that vacating existing leases will have no significant affect

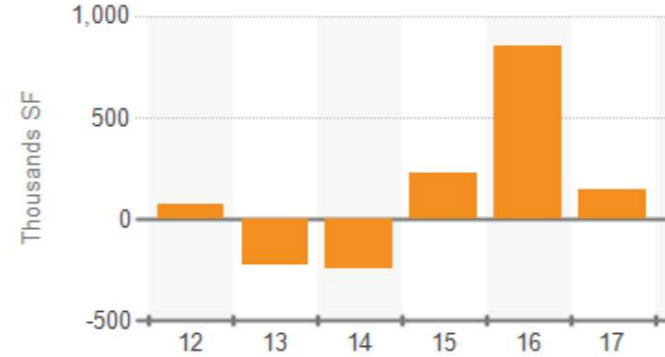
Vacancy Rate



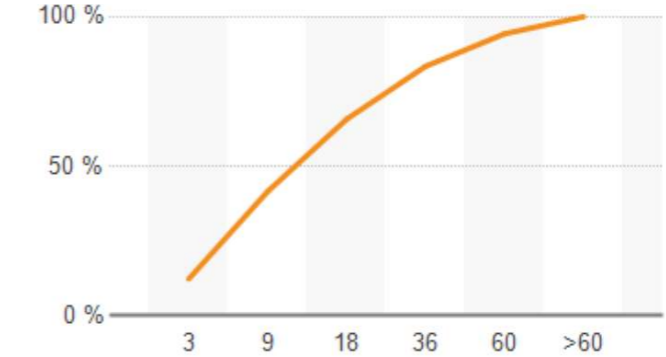
Gross Asking Rent Per SF



Net Absorption



Probability of Leasing in Months



# Characteristics of Market Area



## Office - Abq Metro Multi-Tenant over 75k

Higher vacancy rate

Market is changing quickly – large multi-tenant buildings are being absorbed as economy continues to improve

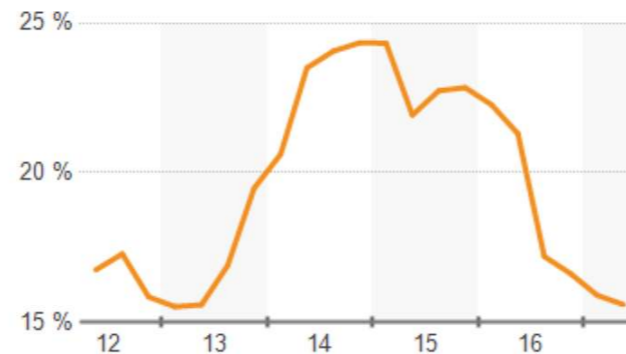
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$17.32	\$17.15
Vacancy Rate	15.6%	19.8%
Vacant SF	1,300,128	1,647,716
Availability Rate	18.2%	22.8%
Available SF	1,521,467	1,902,417
Sublet SF	5,728	102,461
Months on Market	24.0	28.0

Inventory	Survey	5-Year Avg
Existing Buildings	51	51
Existing SF	8,342,315	8,339,707
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	557,808	7,725
12 Mo. Leasing SF	497,443	383,193

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$16	\$59
Asking Price Per SF	\$65	\$62
Sales Volume (Mil.)	\$5.2	\$24
Cap Rate	-	6.8%

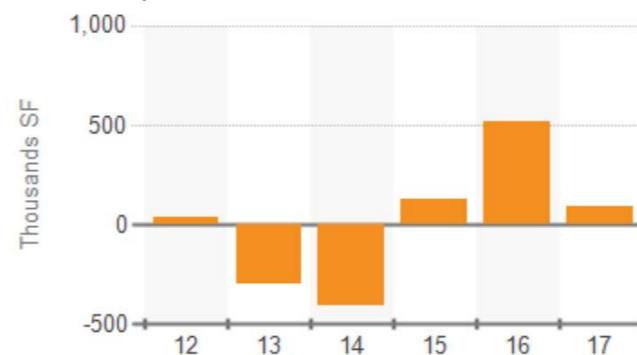
Vacancy Rate



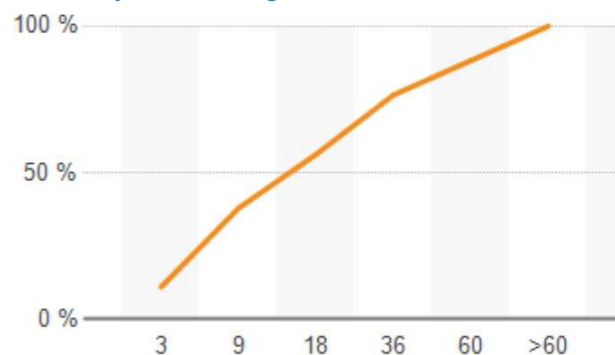
Gross Asking Rent Per SF



Net Absorption



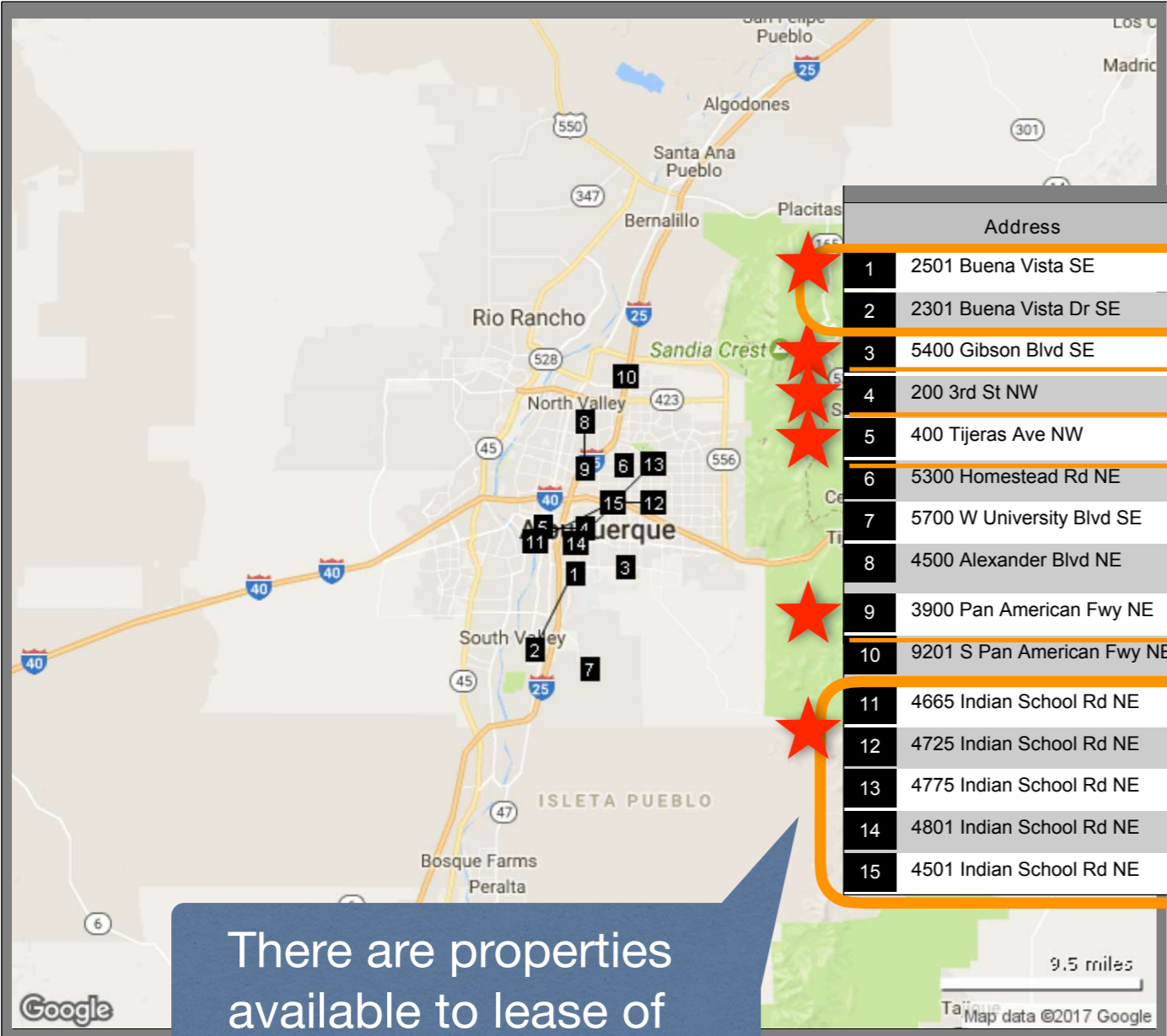
Probability of Leasing in Months



# Characteristics of Market Area



FOR LEASE



	Address	City	Property Type	Property Size	Space Avail	Rent/SF/Yr
1	2501 Buena Vista SE	Albuquerque	Class B Office/Medical	72,977 SF	72,977 SF	\$5.50
2	2301 Buena Vista Dr SE	Albuquerque	Class B Office/Medical	161,040 SF	145,377 SF	\$6.50
3	5400 Gibson Blvd SE	Albuquerque	Class B Office/Medical	559,054 SF	134,968 SF	\$9.00-\$15.00
4	200 3rd St NW	Albuquerque	Class B Office	323,000 SF	144,292 SF	\$14.50-\$17.50
5	400 Tijeras Ave NW	Albuquerque	Class A Office	420,290 SF	135,236 SF	\$15.00-\$19.00
6	5300 Homestead Rd NE	Albuquerque	Class B Office	64,744 SF	64,000 SF	For Sale Only
7	5700 W University Blvd SE	Albuquerque	Class A Office	80,195 SF	70,615 SF	\$15.50
8	4500 Alexander Blvd NE	Albuquerque	Class B Flex/(Neighborhood Center)	103,808 SF	71,211 SF	\$7.75-\$12.50
9	3900 Pan American Fwy NE	Albuquerque	Class B Office	160,000 SF	22,388 SF	\$17.50
10	9201 S Pan American Fwy NE	Albuquerque	Class B Industrial/Manufacturing	502,614 SF	0 SF	-
11	4665 Indian School Rd NE	Albuquerque	Class B Office	32,724 SF	16,238 SF	\$13.25
12	4725 Indian School Rd NE	Albuquerque	Retail/Freestanding	8,193 SF	1,278 SF	\$13.25
13	4775 Indian School Rd NE	Albuquerque	Class B Office	62,647 SF	14,649 SF	\$13.25
14	4801 Indian School Rd NE	Albuquerque	Class B Office	54,079 SF	21,143 SF	\$13.25
15	4501 Indian School Rd NE	Albuquerque	Class C Office	62,066 SF	52,577 SF	\$13.25

There are properties available to lease of sufficient size to accommodate a consolidated facility



# Characteristics of Market Area



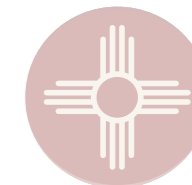
### List of Available Large, Functional Buildings to Purchase

Building Name	Address	Total Square Feet	Vacant Square Feet	Price	Price Per Square Foot	Comments
Aputure Center	5700 University	81,095	81,095			
First Plaza	200 3rd Street NW	323,000	147,001	\$ 13,000,000.00	\$ 40.25	Currently in negotiations with Bernalillo County. Available space primarily open design. Will require parking structure on adjacent included land
1601 Commercial St NE	1601 Commercial St NE	83,016	75,158			
Carpenters Training Center	3900 Pan American	160,000	Negotiable	Negotiable		Building was constructed for Carpenters Training Center. Building is significantly under utilized and Owner needs to lease out a substantial portion or sell the property
Express Scripts	4500 Alexander	100,346	71,211	\$ 7,950,000.00	\$ 79.23	Express Scripts occupies 35k w/ 3 yrs remaining. Site is expandable
Indian Health Services	5300 Homestead Rd NE	64,744	64,744	\$ 5,400,000.00	\$ 83.41	3 story building that does not have expansion capabilities
NorthPointe 25	9201 Pan American Fwy	275,000	275,000	\$ 20,000,000.00	\$ 72.73	Price is on an "as-is" basis. Seller estimates it will take another 18 million to build out for an office user
Pinetree	4501-4801 Indian School Rd NW	203,223	89,871	\$ 8,000,000.00	\$ 39.37	Project is 40% occupied with all existing leases expiring at various intervals over the next 3 years with t longer term tenants.
Albuquerque Office Complex	Buena Vista and Randolph	326080	326,080	\$ 8,400,000.00	\$ 25.76	Current owner purchased the property for \$6 million. Assuming they would sell if they could double their money
Gibson Medical Center	5400 Gibson Blvd SE	559,045	134,968	\$ 16,000,000.00		

There are properties available to purchase sufficient size to accommodate a consolidated facility

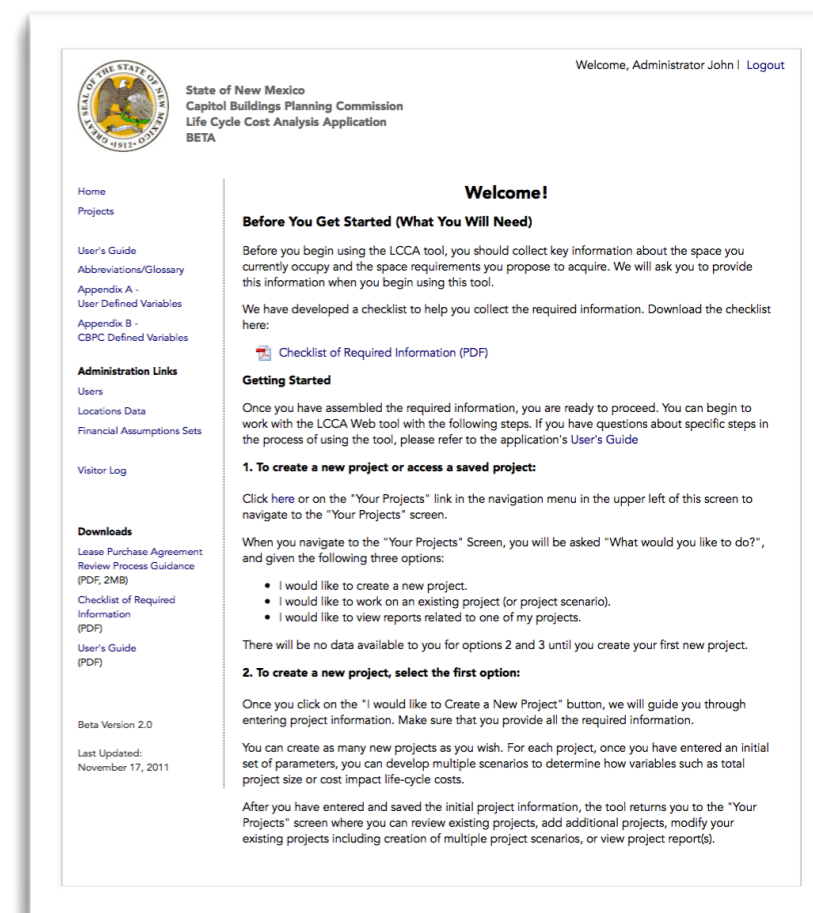


# Life Cycle Cost Analysis



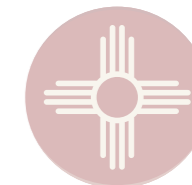
- LCCA – Life-Cycle Cost Analysis

- Life-cycle cost analysis (LCCA) is a method for assessing the total cost of facility ownership, taking into account all costs of acquiring, owning, and disposing of a building or building system.
- LCCA is especially useful when project alternatives that fulfill the same performance requirements, but differ with respect to initial costs and operating costs, must be compared in order to select the alternative that maximizes net savings. After identifying all costs by year and amount, and discounting them to present value, they are added to arrive at total life-cycle costs for each alternative.



ARC DEVELOPED A LCCA  
TOOL FOR LEASE-PURCHASE  
PROJECTS FOR THE STATE

# Life Cycle Cost Analysis



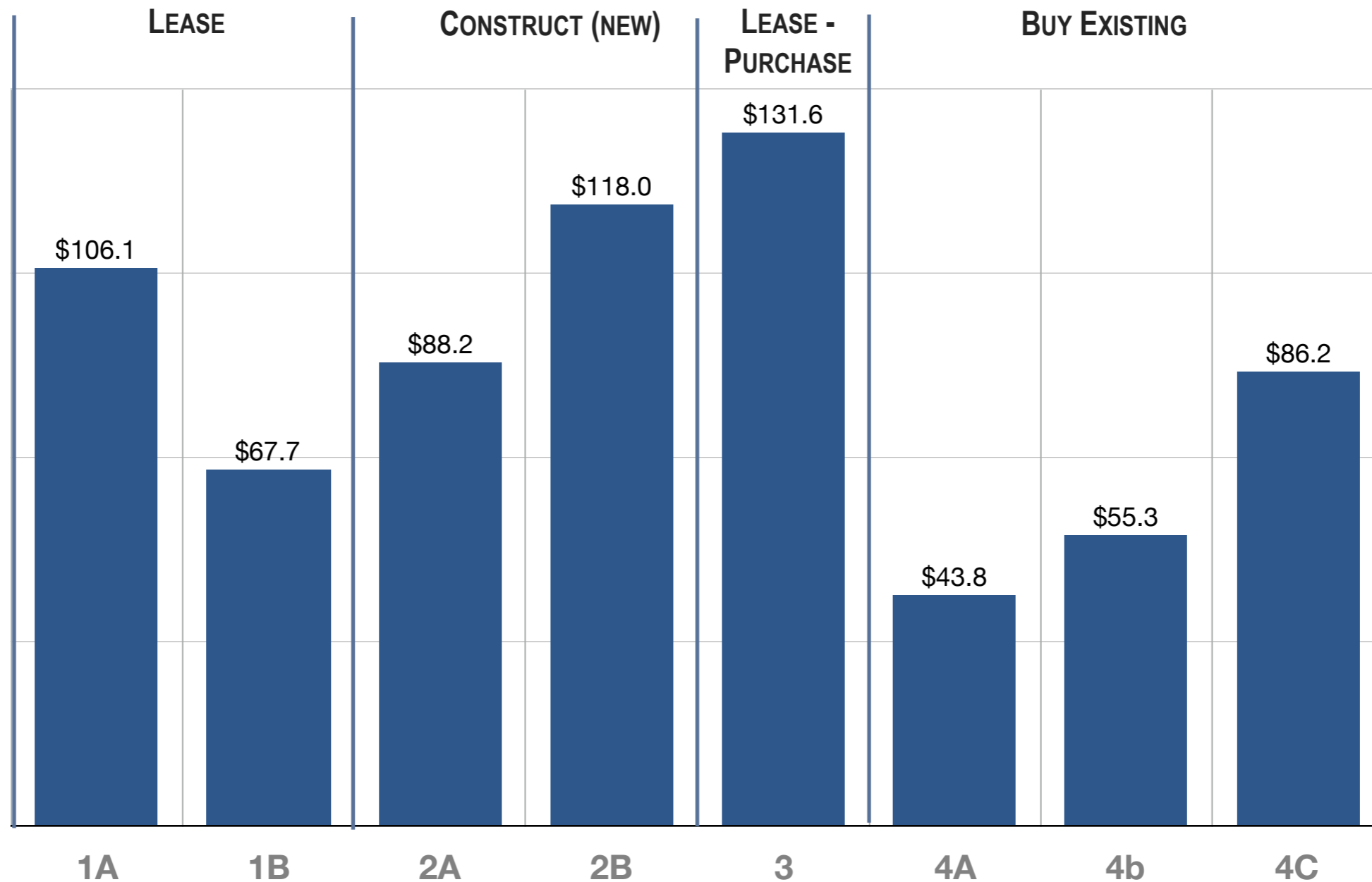
- **TVM – Time Value of Money** – The idea that money available at the present time is worth more than the same amount in the future, due to its potential earning capacity. This core principle of finance holds that, provided money can earn interest, any amount of money is worth more the sooner it is received. Also referred to as "present discounted value."
- **Constant Dollars** – Dollars that have been adjusted for the impact of inflation (using the CPI), as opposed to current dollars, which are actual dollars paid or received.
- **DCF – Discounted Cash Flow Analysis** – A valuation method used to estimate the attractiveness of an investment opportunity. Discounted cash flow (DCF) analysis uses future free cash flow projections and discounts them (most often using the weighted average cost of capital) to arrive at a present value, which is used to evaluate the potential for investment. If the value arrived at through DCF analysis is higher than the current cost of the investment, the opportunity may be a good one.
- **Discount Rate** – The interest rate used to determine the present value of future cash flows. This interest rate reflects the time value of money that is used to convert cash flows occurring at different times to a common time (e.g. to convert future values to present values and vice versa). The discount rate represents the opportunity cost of money and is often selected as the after-tax rate of return on an alternative investment or the cost of borrowing money.
- **PV – Present Value** – The current worth of a future sum of money or stream of cash flows given a specified rate of return.

# LCCA Options



TOTAL 40 YEAR LIFE CYCLE  
COST CONSTANT DOLLARS  
(\$ MILLIONS)

1A	Continue Existing Lease(s)
1B	Continue to Lease (new rate / amount)
2A	Buy (construct with cash, public sector)
2B	Buy (construct, debt finance, public sector)
3	Lease Purchase (Private Sector Build to Suit)
4A	Purchase (cash) and Renovate Existing Building
4b	Purchase and Renovate Existing Building (Debt Finance - Public Sector)
4C	Lease Purchase Existing Building (Private Sector)

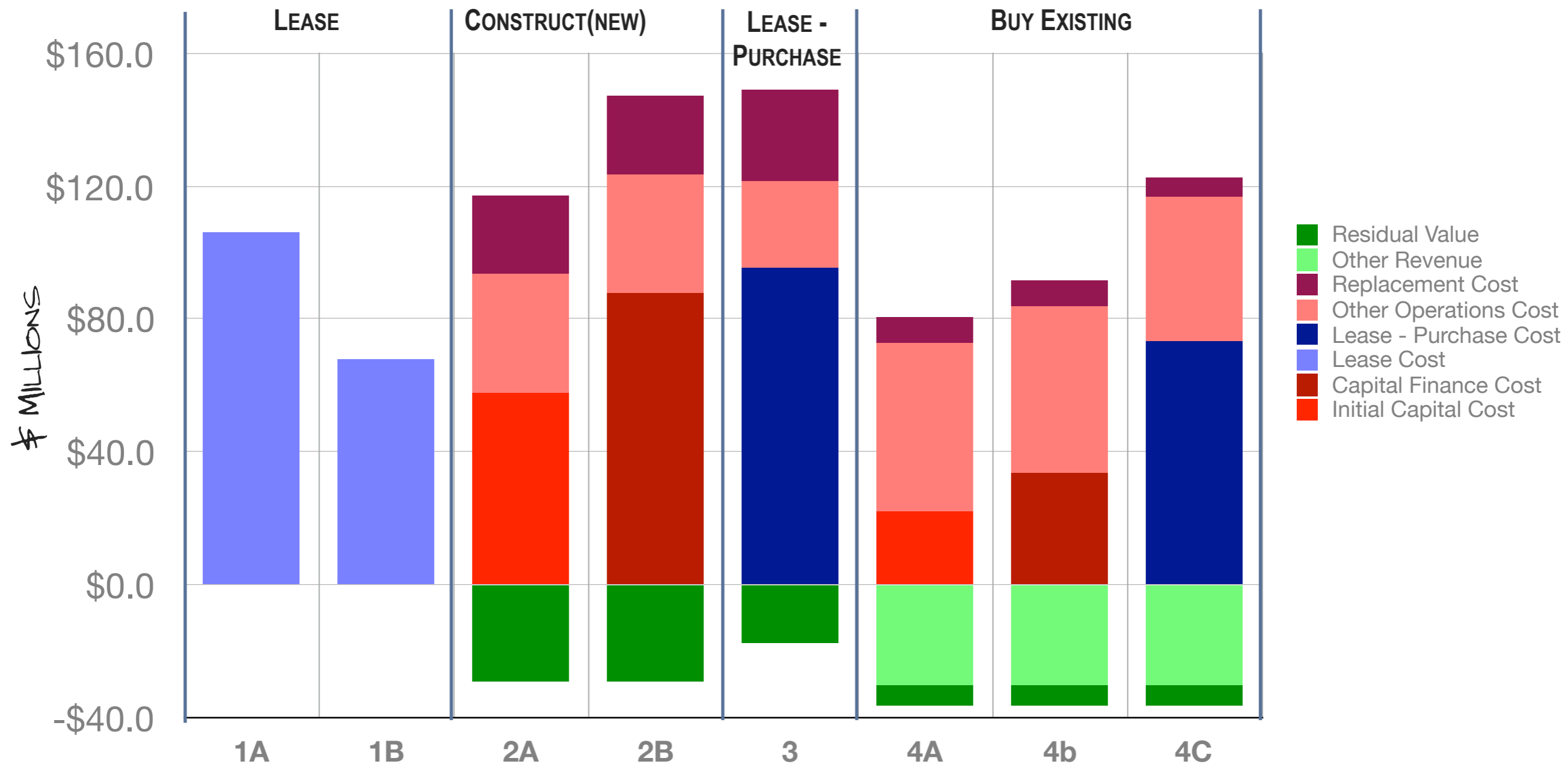


# LCCA Options



1A	Continue Existing Lease(s)
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4C	Lease Purchase Existing Building (Private Sector)

TOTAL 40 YEAR LIFE CYCLE  
COST CONSTANT DOLLARS  
(\$ MILLIONS)



# Preliminary Findings



- **State Opportunities**

- *Lower finance cost than private sector*
- *Operating costs will tend to be lower (property tax exemption)*

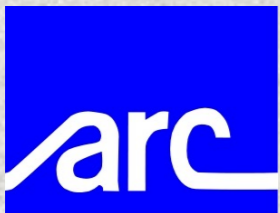
- **State Constraints**

- *Lease rates may be higher due to statutory conditions*
- *Construction costs may be higher due to Davis-Bacon wage rates*
- *Impediments to respond quickly to real estate opportunities*
- *Lack of coordinated long-range plan*  
*... tends to result in short-term responses*

# Preliminary Findings



- **All alternatives (other than continue to lease at current rates) will provide long-term savings to the state**
  - *At minimum State should seek to renegotiate at current market rates at optimized size*
  - *Acquiring a suitable existing building (purchase or lease - purchase) will provide the greatest long-term savings potential*
  - *Acquisition options are time-sensitive*
- **Encourage developing a coordinated, long-term strategy for providing state services**



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