ATTACHMENT C

Park Central Apartments Supplementary Information

To: Metropolitan Redevelopment Agency
City of Albuquerque

From: Route 66 Multi Family ABQ LLC dba Park Central Apartments
Silverstone Equity Partners LLC

Re: Additional Information Request for Proposals #01-2025: Housing Conversion Projects

Date: November 27, 2024

General Project Updates

The Park Central Apartments project has undergone significant updates as we continue to refine our vision and adapt to the realities of redevelopment. Originally, the plan included 101 units, with 66 designated as affordable housing and the remaining units offered at market rates. However, the project faced critical challenges that necessitated a reassessment of our design and financial strategy.

One of the primary issues stemmed from the initial floor plans, which were not optimized to maximize the number of units within the building's footprint. Compounding this was the unexpected disparity in construction costs between Houston-based contractors and local Albuquerque contractors. While we anticipated a cost premium of 20-30% for using local general contractors, the bids returned were nearly double the Houston estimates, rendering the project financially infeasible under the previous design.

In response, we revised the project to prioritize unit density and economic feasibility. The new design now includes 155 units, with 77 designated as affordable housing (comprising 55 studio units and 22 one-bedroom units) and the remaining 78 units allocated as workforce housing (all one-bedroom units). This adjustment allows us to address the city's critical need for affordable and workforce housing while ensuring the project's financial sustainability.

The increased unit count naturally results in higher construction costs, but we are working closely with our design consultants and New Mexico-based general contractors to implement cost-saving measures and design efficiencies. For example, we eliminated the balconies initially planned for each unit, which represented a significant expense. This single adjustment reduced the overall construction budget by 8%. Instead, we are focusing on creating shared rooftop amenities, allowing residents to enjoy Albuquerque's beautiful weather and stunning views in a more cost-effective and community-centered way.

This revised approach not only ensures the project's viability but also amplifies its impact. By increasing the total number of units and the share of affordable housing, Park Central Apartments is better positioned to address Albuquerque's housing shortage while delivering an economically sound development. These updates reflect our commitment to adaptability and innovation in pursuit of our shared vision for a vibrant, inclusive community.

Financing Updates

When we originally submitted our RFP application, we were in the final stages of loan negotiations with an institutional lender. However, at that time, we were unaware of the higher construction costs associated with New Mexico-based general contractors. Upon discovering these elevated costs, we returned to the lender to discuss the need for additional funding. Unfortunately, they expressed hesitation due to several concerns, including the challenges inherent in high-rise conversions, the income limitations imposed by affordable housing units, and the location of the buildings in a neighborhood requiring revitalization.

In light of these challenges, we explored alternative financing options and identified the New Mexico Finance Authority's Opportunity Enterprise – Housing Development Program. This program offers subsidized construction loans for workforce housing projects in the state of New Mexico, with loan amounts of up to $15,000,000. Although we missed the original application deadline of October 16, 2024, we plan to submit our application as soon as the next application cycle opens on January 8, 2025.

To ensure our project aligns with the program's objectives, we engaged in discussions with key stakeholders, including Daniel Werwath (Director, Office of Housing, Governor's Office) and John Brooks (Chief of Programs, New Mexico Finance Authority). Both expressed strong support for the Park Central Apartments redevelopment and confirmed that our project would be a strong candidate for the subsidized loan program. They encouraged us to submit our application in the upcoming cycle.

We are optimistic about securing funding through this program, as it aligns perfectly with the program's goals of fostering workforce housing and addressing critical housing shortages in New Mexico. This subsidized loan would significantly bolster our ability to execute the project as envisioned and deliver much-needed affordable and workforce housing to the Albuquerque community.

Response to Questions

Will the proposed project be feasible if the awarded amount is less than requested?

If the awarded amount is less than requested, the project would require additional funding, which could be sourced from a variety of alternatives. However, these options may pose challenges to the financial viability of maximizing the number of units designated as affordable.

The first approach to addressing a funding gap would be to explore design-based construction savings. By working closely with our design consultants and general contractors, we can identify potential efficiencies in the construction process to reduce costs without compromising the quality or integrity of the project. For instance, our recent decision to eliminate individual balconies for units demonstrated how strategic design adjustments can achieve substantial cost savings.

Another potential source of funding could come from the project sponsors contributing additional equity. However, as a smaller-sized family office, we aim to conserve some of our equity for the future redevelopment of the adjacent 17-story sister tower, which is integral to the long-term vision for the overall site. Allocating too much equity to this project could strain resources needed for subsequent phases of the site's redevelopment.

Additionally, if necessary, we could consider bringing in a Houston-based general contractor to manage construction. While this might offer cost savings compared to New Mexico-based contractors, it would introduce significant logistical challenges. A local general contractor better understands the regional subcontractor base, local regulations, and construction practices. Transplanting a Houston-based firm would lead to scheduling and coordination difficulties, especially when accounting for travel schedules and unfamiliarity with the local construction landscape. As such, this is not a preferred option and would only be explored as a last resort.

Finally, we could consider mezzanine financing as a supplemental funding source. While this option could fill the funding gap, it is the least preferable due to the typically above-market interest rates associated with mezzanine debt. These rates reflect the lender's second-lien position and would add financial pressure to the project, potentially impacting its overall feasibility.

In summary, while alternative funding sources are available, they come with trade-offs. Reducing construction costs through design efficiencies is the most viable and prudent option, while sponsor equity, non-local contractors, and mezzanine debt remain secondary considerations due to their potential implications on project economics and execution.

Revised Request for Grant Award Per Affordable Unit

Silverstone Equity Partners appreciates the Metropolitan Redevelopment Authority's support and commitment to addressing Albuquerque's affordable housing challenges. As part of the ongoing redevelopment of Park Central Apartments, we respectfully submit a revised request for consideration in the grant award amount, reflecting the updated unit mix and financial strategy for the project.

Originally, we requested an increase in the grant award to $60,000 per affordable unit to address the elevated costs associated with converting a high-rise office building into affordable multifamily housing. However, with the redesign of the project, the number of affordable units has increased from 66 to 77, providing greater community benefit. As a result, we are now requesting an increase to $52,000 per affordable unit, rather than the previously requested $60,000. This adjustment reflects the increased scale of affordable units while maintaining a feasible financial framework for the project.

The updated grant request totals $4,000,000, which includes this revised per-unit funding. The sponsor is fully committed to the success of this redevelopment and will match this increased grant amount with an equivalent investment in equity. This represents a strengthened alignment of public and private investment to ensure the financial viability of this transformative project.

This revised request takes into account the high costs associated with high-rise conversions, including specialized building systems, compliance with stringent safety codes, and the use of durable materials to ensure a lifespan of over 100 years. Additionally, these funds will support design efficiencies that allow us to deliver more affordable units without compromising on quality or sustainability. For example, the elimination of individual balconies has reduced construction costs, freeing resources for rooftop amenities that serve the entire community.

By increasing the per-unit funding to $52,000 and providing the full $4,000,000 grant, the MRA will enable us to maximize the affordable housing impact of this project while ensuring its long-term financial and operational sustainability. We are confident that this revised request aligns with Albuquerque's vision for expanding high-quality, affordable housing and will solidify Park Central Apartments as a cornerstone of the city's revitalization efforts.

We are grateful for the opportunity to collaborate with the Metropolitan Redevelopment Authority and look forward to advancing this iconic project together. Thank you for your consideration of this updated request.

Summary

We are incredibly excited to work alongside the Metropolitan Redevelopment Authority on this iconic redevelopment project, which holds tremendous potential for revitalizing the community and addressing Albuquerque’s pressing housing needs.

At this time, we are actively redesigning the project to accommodate our updated plans, which include an increased number of residential units. These changes are designed to enhance the project’s impact while maintaining its financial feasibility and alignment with the city’s housing objectives.

To further ensure the project’s feasibility and to help accommodate the increased construction costs, the sponsor is committing to a reduction in the developer fees. This demonstrates our dedication to seeing this transformative project come to life and achieving the affordable housing goals set forth.

We anticipate submitting for a construction permit early in the new year and expect to receive approval shortly thereafter. This timeline positions us to begin construction by the end of Q1 or the beginning of Q2 in 2025. This schedule aligns perfectly with the timeline shared for funding through the Housing Development Program, ensuring a seamless progression from planning to execution.

We look forward to continuing our collaboration with the MRA to bring this transformative project to life and contribute meaningfully to the future of Albuquerque.

PROJECT DETAILS:

Project name:	Park Central Apartments
Location:	300 San Mateo Blvd NE
Developer:	Silverstone Equity Partners LLC
SF of land:	146,932
Building gross SF:	101,600
Building rentable SF:	85,010
Construction start (year):	2025
Completion year:	2026

DEVELOPMENT PROGRAM:

Residential units:	155
Studio:	55
1-bed:	100
2-bed:	
3-bed:	
Other:	
Hotel keys:	
Retail rentable SF:	
Office rentable SF:	
Other rentable SF:	
Description of other rentable SF:	

Parking (number of spaces):	186
Structured or surface?	Surface

Project amenities:

- Fitness Center
- Bike Maintenance / Storage Area
- Self Storage Locker Area
- Resident Lounge
- Coworking Space / Library
- Washer / Dryer in Unit
- Package Room
- Rooftop Deck
- Dog Park / Greenspace

PROPOSED PUBLIC ASSISTANCE STRUCTURE:

$4,000,000 of gap funding in the form of grant anticipated to be received by the developer from the City of Albuquerque Metropolitan Redevelopment Agency to be used 100% in this redevelopment project with the grant funding limit increased from $30,000 to $52,000 per afforable unit.

DEVELOPER TARGET RATE OF RETURN:

Stabilized Yield on Cost:	7.1%	Unleveraged IRR:	6.6%
Stabilized Cash-on-Cash Return:	13.2%	Leveraged IRR:	29.4%

DEVELOPMENT SOURCES

Source	Amount
Sponsor Equity (Secured)	$4,000,000
Proposed City Grant Funding (Pending)	$4,000,000
NMFA Housing Development Program – Construction Loan (To Be Requested)	$15,000,000
TOTAL SOURCES	$23,000,000

Construction Debt	
Loan amount	$15,000,000
Interest rate	4.00%
Term	Interest Only
Construction period (years)	3 Year
Permanent Debt	
Loan amount	$19,000,000
Interest rate	6.50%
Amortization period	30
Going-In cap rate assumption	6.50%

DEVELOPMENT BUDGET

Uses/Development Costs	Amount
Acquisition Costs	
Purchase of Building and Real Estate	$1,751,000
Closing Costs + Capital Fees	$194,000
Total Acquisition Costs	$1,945,000
Site Preparation Costs	
Demolition Interiors	$685,000
Paving Reconditioning / Fencing	$425,000
Total Site Preparation Costs	$1,110,000
Hard Construction Costs	
Division 1: General Requirements	$735,420.78
Division 2: Site Construction	$367,710.40
Division 3: Concrete	$188,274.82
Division 4: Masonry	$0.00
Division 5: Metals	$476,241.19
Division 6: Wood and Plastics	$991,399.12
Division 7: Thermal / Moisture Protection	$0.00
Division 8: Doors and Windows	$796,599.14
Division 9: Finishes	$2,454,899.46
Division 10: Specialties	$789,495.83
Division 11: Equipment	$854,818.52
Division 12: Furnishings	$320,000.00
Division 13: Special Construction	$601,098.33
Division 14: Conveying Systems	$1,005,796.07
Division 15: Mechanical / Plumbing	$2,247,359.40
Division 16: Electrical	$1,351,876.44
Profit (5%)	$659,505.25
Overhead (5%)	$659,505.25
Total Hard Construction Costs	$14,500,000

Uses/Development Costs	Amount
Soft Costs	
Architectural / Engineering	$850,000
Permit Fees, etc.	$85,000
Utility Tap Fees	$35,000
Specialty Consultants	$125,000
Total Soft Costs	$1,095,000
Tenant Improvements	
Total Tenant Improvements Costs	$0
Financing Costs	
Interest Reserve + Start Up Costs	$2,000,000
Loan Broker Fee	$250,000
Total Financing Costs	$2,250,000
Developer Fees	
Developer Fees	$500,000
Total Developer Fees	$500,000
Reserves and Other Costs	
Soft Cost Reserve	$100,000
Hard Cost Reserve	$1,000,000
Financing Reserve	$500,000
Total Reserves and Other Costs	$1,600,000
TOTAL DEVELOPMENT COSTS	$23,000,000

10-YEAR CASH FLOW

Stabilization year: 2028 | Year 10 terminal cap rate assumption: 5.5%

Calendar year:	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Apartment Residences Rental - Affordable	$0	$240,000	$640,000	$800,000	$800,000	$800,000	$800,000	$800,000	$800,000	$800,000
Apartment Residences Rental - Workforce	$0	$360,000	$960,000	$1,200,000	$1,236,000	$1,273,080	$1,311,272	$1,350,611	$1,391,129	$1,432,863
Storage Rental	$0	$4,800	$19,200	$24,000	$24,720	$25,462	$26,225	$27,012	$27,823	$28,657
Parking Rental	$0	$12,000	$48,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
Utility Reimbursmenet	$0	$20,000	$20,600	$21,218	$21,855	$22,510	$23,185	$23,881	$24,597	$25,335
EV Charging	$0	$1,200	$4,800	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Add more rows above, if needed										
Total Revenues	$0	$638,000	$1,692,600	$2,111,218	$2,148,575	$2,187,052	$2,226,683	$2,267,504	$2,309,549	$2,352,855

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Reserve for Replacement / Vacancy	$0	$31,200	$83,200	$104,000	$106,160	$108,385	$110,676	$113,037	$115,468	$117,972
Property Taxes	$18,000	$18,540	$19,096	$19,669	$20,259	$20,867	$21,493	$22,138	$22,802	$23,486
Insurance	$60,000	$61,200	$62,424	$63,672	$64,946	$66,245	$67,570	$68,921	$70,300	$71,706
Common Area Maintenance	$60,000	$61,800	$63,654	$65,564	$67,531	$69,556	$71,643	$73,792	$76,006	$78,286
Management	$30,000	$100,000	$169,260	$211,122	$214,857	$218,705	$222,668	$226,750	$230,955	$235,286
Utilities	$80,000	$82,400	$84,872	$87,418	$90,041	$92,742	$95,524	$98,390	$101,342	$104,382
Miscellaneous Expenses	$0	$20,000	$80,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
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Total Expenses	$248,000	$375,140	$562,506	$651,445	$663,794	$676,500	$689,575	$703,028	$716,872	$731,117
Net Operating Income	-$248,000	$262,860	$1,130,094	$1,459,773	$1,484,781	$1,510,552	$1,537,109	$1,564,476	$1,592,677	$1,621,738
Debt Service				$1,092,000	$1,092,000	$1,092,000	$1,092,000	$1,092,000	$1,092,000	$1,092,000
Cash Flow After Debt Service	-$248,000	$262,860	$1,130,094	$367,773	$392,781	$418,552	$445,109	$472,476	$500,677	$529,738

UNLEVERED IRR CALCULATIONS:

0	1	2	3	4	5	6	7	8	9	10
-23000000	0	$262,860	$1,130,094	$1,459,773	$1,484,781	$1,510,552	$1,537,109	$1,564,476	$1,592,677	$30,015,891
									IRR:	6.63%

LEVERED IRR CALCULATIONS:

0	1	2	3	4	5	6	7	8	9	10
-4000000	0	$262,860	$1,130,094	$4,367,773	$392,781	$418,552	$445,109	$472,476	$500,677	$18,115,891
									IRR:	29.36%