

Federal Reserve Bank of Kansas City
Investment Connection Online Proposal



Contact	Synthia Jaramillo
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Name of organization	City of Albuquerque Economic Development Department is the applicant, for its Incremental Development ABQ collaborative
Mission statement	Incremental Development ABQ’s mission involves teaching entrepreneurial residents and small businesses currently renting space to become the real estate and economic developers of their own disinvested neighborhoods. It involves small-scale projects not touched by the local construction industry which specializes in tract housing and multi-story, tax credit projects. Instead it focuses on the “missing middle” or modest scale residential and mixed use projects such as an in-fill vacant property that also provide local services or amenities, and broaden the range of affordable residential rents, while building wealth for families in the neighborhoods and the city as a whole.
Overview of organization	<p>Incremental Development ABQ is a program of the Economic Development Department, and a multi-partner collaboration.</p> <p>The department has invested almost \$100,000 in a two year set of events and trainings involving over 100 people to date. Training introduces proven small scale development approaches that build local skills to take advantage of untapped and unserved real estate market segments in Albuquerque.</p> <p>The effort supports aspiring small developers seeking to develop bank-financeable, innovative urban infill properties that contribute to the “missing middle” affordable housing shortage, provide small and micro-scale retail and other entrepreneur space, and build the capacity of the incremental development subset of the construction market and strengthening our neighborhoods. Because incremental development does not rely on subsidy, and zoning barriers have been systematically removed in conjunction with this program during the rewrite of the citywide zoning code in 2017, the pathway to sustainable income streams are substantially within an individual’s control.</p> <p>The department considers the program an anti-poverty and wealth building effort that is responsive to the most motivated of the participants who will receive hands-on mentoring as they move forward from skills acquisition to application with a real world development project. Broader benefits include the infilling neighborhood “missing middle” workforce affordable housing and small scale/micro retail and the eventual jobs supported by both the construction and small retail and entrepreneurial tenants—at a scale well</p>

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	<p>suited to serve, low income and persons of color given the existing demographics of the urban labor base and tenant rental pools.</p> <p>Program partners have conducted outreach to members and used their networks to find potential trainees in the city's core disinvested neighborhoods where historically there were many examples of this missing middle development--today some of our most cherished contributing structures in our neighborhoods.</p>
Website	https://www.incrementaldevelopmentabq.com
State where proposal is located	New Mexico
Proposal title	Small Scale Incremental Development Construction Loan Fund
Support request	<ul style="list-style-type: none"> • Loan • Investment/Grant
Requested amount	\$500,000
Other significant partners in the proposal	Small Scale Incremental Development Construction Loan Fund
Proposal narrative	<p>Create a CRA Small Development Construction Loan fund to underwrite and administer acquisition and construction debt in underserved neighborhoods.</p> <p>The loan fund will be augmented by equity from 1031 tax deferred exchange investors in neighborhood scale residential and mixed use projects. The Construction Loan fund would revolve, and the fund administrator (The NM Loan Fund (a CDFI) or NUSENDA Credit Union), would underwrite deals and provide technical assistance to borrowers positioning their projects for 1031 Exchange investors to reinvest their funds via a series LLC to defer capital gains payments.</p> <p>The Loan Fund will be an efficient vehicle for banks in the region to participate in a well-administered credit facility lending in census tract that qualify them for improved Community Reinvestment Act ratings.</p> <p>The Loan Fund (TLF), a New Mexico-based CDFI, serves as fiscal sponsor for the project and would administer the proposed loan fund and provide wrap around services for investors and borrowers in conjunction with a local lender to be identified.</p>
Issues addressed	<ul style="list-style-type: none"> • Small Business Development / Microlending • Affordable Housing
Geographic impact	Neighborhood(s)
Population served	<p>Training beneficiaries include targeted (but not exclusively) low income individuals, often in construction, real estate or adjacent trades, and wanting to become entrepreneurs usually in their own neighborhoods.</p> <p>Project workforce is often LMI individuals, usually neighborhood based and often sole proprietors.</p>

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	<p>Given resulting residential unit size and innovative configurations, rental housing (or live work space) is often affordable to LMI individuals, though affordable housing is not an express program outcome.</p>
Population income	<p>65% of the 14 Census Tracts in the Central Avenue Corridor (the core, but not exclusive program geography) qualify for CRA.</p> <p>Trainees include LMI and marginalized populations.</p> <p>A significant number of census tracts in the project area are also designated in the City's current Consolidated Plan as one 39 "Reinvestment Areas / "Disinvesting" as well as several Racially and Ethnically Concentrated Areas of Poverty (R/ECAPs)</p>
Anticipated outcomes/impact	<p>The Loan fund will create a vehicle for CRA Lending and 1031 Equity investment in disadvantaged neighborhood. Increasing access to this type of debt and equity combined with the current training and coaching by Incremental Development ABQ will create and sustain the creation of new household wealth and provide a stable foundation for neighborhood scale redevelopment of disadvantaged neighborhoods</p>
Evaluation methods used to measure success	<p>The current CRA metrics for measuring loan volume and the number of construction loan transactions, and conversions to permanent small commercial loans and conforming 30 year mortgages will provide a baseline.</p> <p>The Loan Fund will use the CRA metrics to track increased loan volume and transactions across all loan products.</p> <p>The same geographic framework should be used to identify equity investments through local 1031 intermediaries.</p>
Project timeframe. Is your request for an existing or new program?	<p>Existing Program</p>