

EXECUTIVE SUMMARY (SUPPLEMENTAL)

The Upper Petroglyphs Project ("Project"), consisting of approximately 3,950 acres, is located exclusively in the unincorporated area of Bernalillo County, New Mexico ("County"). The Project area is owned 100% by Westland DevCo, LP ("DevCo"). DevCo submits information to the New Mexico Finance Authority, requesting the dedication of fifty percent (50%) of State gross receipts tax increment generated within tax increment development districts 2, 3, 4 and 8 (the "TIDDs") within the Project.

As provided in Section 5-15-15(F) NMSA 1978, gross receipts tax revenue growth attributable to the State Gross Receipts Tax may be dedicated for the purpose of securing gross receipts tax increment bonds with the agreement of the State Board of Finance, evidenced by a resolution adopted by a majority vote of the State Board of Finance which was obtained on January 14, 2008, and the New Mexico Finance Authority. As described in detail below, the dedication of 50 percent of the State Gross Receipts Tax revenue growth within the TIDDs is a critical element of DevCo's plan for financing \$629,000,000 (2007 dollars) in public infrastructure that is necessary to serve the Project.

According to DevCo's consultants, the \$3.75 billion in market value of the Project will provide an additional \$4.48 million in annual property tax revenues to the Bernalillo County General Operating Fund and an equivalent annual amount to pay off the TIDD bonds. Additional property tax revenues will go to other County capital funds. The Project's new employees and retail sales will provide \$8.12 million annually in gross receipts tax revenues to the County General Operating Fund and about one quarter of that annual amount to pay off the TIDD bonds. The reciprocal amount for the State in gross receipts tax revenues is \$46.4 million with a similar annual amount going to pay off the TIDD Bonds. In addition, new growth in the County has a ripple effect on all other sectors. There will be additional tax revenues to fund economic and community development. The Project will have enormous positive fiscal and economic effects on the economy of the County and the State.

Per the request of the New Mexico Finance Authority, we have provided the following information for each TIDD:

1. A list of the infrastructure improvements in the TIDD
2. Bond amount in the TIDD
3. Detailed bond plan for the TIDD
4. Revenue and debt service chart
5. Bond proforma

Economic Development Strategy

DevCo's economic development strategy focuses on three primary objectives:

- Economic Base job growth and high incomes for New Mexicans

- Variety of housing densities
- Develop healthy mixed-use neighborhoods as amenities for job recruitment

All of these objectives are designed to make the region competitive with other comparable western and mid-western cities (Denver, Salt Lake City, Portland, Sacramento, Seattle, Kansas City, Mo., Oklahoma City, El Paso, Las Vegas, and Ft. Worth). The Upper Petroglyphs Project is an integral part of the Westland Master Plan's vision of a first-class multi-use development that incorporates industrial, commercial, and residential components all within a master development.

The Upper Petroglyphs Project offers a comprehensive package to corporations and industries that includes the following:

- High-quality infrastructure from transportation, water, and sewer systems to parks, trails, and dry utilities
- Mixed-use amenities including industrial, commercial, and office uses, and open space, recreational, cultural, and public facilities
- High-quality diverse housing offering a variety of lifestyle options, along with diverse pricing for both owners and renters
- Planning and architecture that will create a "sense of place" through careful design and siting of building, streets, and infrastructure
- Experienced developer (SunCal Companies) with the financial strength and national reputation for excellence in building both residential and commercial projects

DevCo has already made a significant commitment to New Mexico. To date, DevCo has invested over \$100 million in the overall New Mexico Westland project, which includes the Upper Petroglyphs Project area. This investment represents land acquisition costs, planning, design, predevelopment costs, offsites, and improvements.

Project Benefits

Job Growth and High Income Employment Opportunities for New Mexicans

The Project is intended to provide major employment centers for the Albuquerque metropolitan area. Working closely with the State of New Mexico, Bernalillo County, and City of Albuquerque economic development departments, as well as Albuquerque Economic Development, DevCo will continue to compete aggressively to recruit regional, national, and international companies to the Project's business centers.

With Interstate 40 at its southern boundary and Double Eagle II airport at its northern boundary, the Project offers immediate access to transportation systems and hubs. Areas in and around the Project present significant economic development opportunities. Tempur Pedic and Shamrock Foods have established facilities within the Codero Mesa business park. Eclipse Aviation is scheduled to locate operations adjacent to 380 acres of DevCo industrial park at Double Eagle II airport. The Project

continues to garner keen interest from a spectrum of light industrial and commercial candidates.

Nearly 30,000 jobs will be created in the next 15 years.

(1) Construction Phase Jobs –One-Time Construction Impact

28,880 Direct Construction Jobs

Multiplier 1.50

43,321 Total Construction Jobs

or

2,888 construction jobs per year – almost 3,000 construction jobs per year for 15 years.

(2) Permanent Jobs – Annual Operations Impact

20,259 Direct Permanent Jobs

Multiplier 1.33

26,945 Total New Permanent Jobs (in perpetuity)

(3) Construction Plus Permanent Jobs –Annual Impacts

29,833 total jobs per year (almost 30,000) – for the next 15 years – 90% of this total will remain in perpetuity

(4) Job Base Growth

The State of New Mexico will grow its job base from 1,141,170 to 1,420,380 during the period 2010 to 2025

Currently, in Bernalillo County there are approximately 1.260 jobs per housing unit. The Project adds approximately 1.625 jobs per housing unit or provide a jobs/housing unit ratio for this development that is 30 percent in excess of what currently exists. The development itself will contain 1,250 units of workforce housing.

Conformance with the Master Plan and Smart Growth Development

The vast majority of the Project area is governed by the Westland Master Plan (“Master Plan”), a master plan adopted by the County in 1997. The Master Plan authorizes a mixed-use community; development of industrial, commercial, and office uses; open space, recreational, cultural and public facilities; and residential dwelling units at an average gross density of 5.5 dwelling units per acre. The Master Plan also contains policies regarding development of a sustainable community that incorporates pedestrian friendly development, a diversity of housing types and land uses, community centers,

parks and recreational facilities, jobs-housing balance, and development in activity centers and along transportation corridors.

However, although the County adopted the Master Plan over ten years ago, the Property has not developed with the intended mixture of land uses or amenities due, in part, to a lack of financial, economic, and planning tools that encourage such forward looking development. Consistent with the goals of the TIDD Act and the County's TIDD Ordinance, development of the Master Plan with the proposed mixture of land uses is beneficial to the community because it would broaden the tax base of the County, as well as promote a variety of transportation, economic development, sustainable community, and housing and lifestyle options.

In accordance with these same principles, DevCo believes that development based on a "smart growth" model (i.e., using principles encouraging pedestrian activity, promoting mixed land uses and compact development, maximizing open space preservation, and reducing impacts through the use of existing infrastructure) creates substantial savings to local government, developers, homebuyers, and citizens when compared to development based on a "suburban sprawl" model. The proposed TIDDs would assist in moving forward with the overarching goals of by the Master Plan, as well as DevCo's own principles of sustainability for the benefit of the community.

Investment in New Infrastructure

DevCo expects to invest over \$629 million in the construction of public infrastructure needed to support the Project. As described at **Exhibit E.1, Project Description**, infrastructure required to support the Project includes primary and secondary backbone transportation, drainage, water, and sanitary sewer systems, as well as parks, trails, dry utilities and other public infrastructure—all of which are consistent with infrastructure requirements identified in the Master Plan. The public infrastructure to be constructed to support the Project is designed to meet, or exceed, Bernalillo County's levels of service for these facilities.

Because the vast majority of the public infrastructure will be dedicated to County (or other public entities such as the Albuquerque-Bernalillo County Water Utility Authority, AMAFCA, and the New Mexico Department of Transportation), this public infrastructure is eligible for tax increment financing pursuant to TIDD Act.

Financial Feasibility and Fiscal Impacts

The Fiscal and TIDD Impacts studies included with this supplemental submittal, and which were updated from the original Application, demonstrates, in detail, the potential costs and revenues associated with utilizing the TIDD process to assist in development of the major infrastructure for the Upper Petroglyphs. The Financial Feasibility Study utilizes the findings of the Fiscal and TIDD Impacts study to propose a structure for tax increment property tax bonds and gross receipt tax bonds over the life of each TIDD. The Financial Feasibility Study utilizes the ratios identified within the Fiscal and TIDD

Impacts study to demonstrate the positive fiscal impact upon the County for provision of services, include operation and maintenance.

These studies vigorously support the necessity for County and State fiscal solvency. Results project that the development will be fiscally positive to the County and State throughout its buildout, as well as after buildout. A summary of the findings contained in these studies follows:

Tax Increment Revenue Available to the TIDDs. Throughout the life of the Project, the nine TIDDs, collectively, are anticipated to have the capacity to finance approximately \$629 million of the total cost of the public improvements required to serve the Project.

GRT Increments. With regard to the gross receipts tax increment, there is a recurring increment that increases from year-to-year as development takes place within the TIDDs, and there is a one-time increment that results from taxes generated from construction within the TIDDs. The estimated total recurring gross receipts tax increment revenue generated within the Project and available for the TIDDs at full build out is anticipated to be approximately \$48.7 million per year (\$46.4 million State, \$2.3 million County). One-time gross receipts tax revenues generated for the TIDDs are estimated to total \$68.9 million (\$65.6 million State, \$3.3 million County).

Property Tax Increment. The estimated County ad valorem property tax increment is projected to increase significantly year-to-year until build out of the Project is completed. The estimated total ad valorem property tax increment generated at the Project and available for the TIDDs is anticipated to be approximately \$4.5 million per year at build-out.

Surpluses. While the Project is under construction, it will have 2-3 times the buildout surpluses to the County and to the State due to one-time increment that results from taxes generated from construction within the TIDDs. At buildout, the Project is expected to produce an annual surplus of \$5.050 million to the State, which will grow incrementally as the TIDD bonds are being repaid. This annual surplus is calculated after payment of all municipal and school costs, including operation and maintenance, such that existing levels of service will not be compromised. After full repayment of the TIDD bonds (projected to occur in 2047) the surplus—after all costs, including operation and maintenance, are taken into account—is projected to reach \$51.433 million annually thereafter in funds available to the State.

The Proposed TIDDs

DevCo proposes to divide the Project area into nine tax increment districts, all of which would be governed by one Master Development Agreement (“MDA”) between DevCo, the County and the TIDD Board. Under this structure—which has been used by other special districts in New Mexico—the MDA sets forth the procedural framework for all

nine TIDDs and broadly defines the infrastructure to be constructed in the Project. The MDA will also name the TIDD Board (the members are appointed by the County Commission and, pursuant to County Ordinance, may include one representative of DevCo) which will be the same for all nine TIDDs. Under these requirements, there will be Subsequent Development Agreements ("SDA") entered into by the parties for each TIDD as it comes on line. Each SDA, will (a) identify the infrastructure to be constructed for the specific TIDD; (b) identify which infrastructure will be paid for by TIDD bond proceeds, and which infrastructure will be paid for by DevCo or by other sources; (c) identify the costs of infrastructure to be constructed in the TIDD; (d) provide a construction schedule, and (e) identify which infrastructure will be dedicated and to whom. The SDAs will include bond details, such as provide for a maximum principal amount, maximum interest rates, final maturity dates, provisions for debt service reserves, credit enhancement, and minimum denominations. Under this framework, taxes are dedicated to infrastructure as and when the affected phase is ready to be developed.

Comprehensive planning and funding is critical if DevCo is going to achieve a smart growth model. The structure is designed to provide to the County and DevCo control over infrastructure expenditures on a district-by-district basis. Prior to the issuance of each bond by each TIDD, through the SDAs, the County will have the ability to review and approve construction of the identified infrastructure within the bond issuance.

This structure is consistent with the long term planning goals embodied in the Master Plan, which contemplates the planning and development of the Project area as a comprehensive and unified community, instead of as piecemeal development. The continued planning, zoning, and funding of the Upper Petroglyphs will ensure that provision of public services occurs in an orderly and deliberate fashion. By contrast, if the TIDDs were to be created, approved and funded separately, then there is a risk that public service needs will only be contemplated for the population of an individual TIDD rather than for the development as a whole. More importantly, comprehensive planning could not take place since each area would need to be planned as an island, under the assumption that further infrastructure financing might not be forthcoming.

Specific Supplemental Information

State Board of Finance Resolution

The State Board of Finance Resolution (approving the dedication of State Gross Receipts Tax Increment Revenues) is provided with this supplemental submittal.

Map

DevCo's Application includes both a geographic map of the region and a boundary map of the TIDDs.

Exhibit E.1: Project Description

The Project is located in the unincorporated area of the County. The entire Project is situated north of Interstate Highway 40, and it stretches north from the highway to the vicinity of Double Eagle II airport and Petroglyph National Monument. The Project is situated west of Albuquerque's city limits. The western boundary of the Project generally corresponds with the Master Plan boundary except for an additional \pm 450 acres of property located west of the Atrisco Terrace that is planned for commercial and industrial development.

Although the Master Plan encompasses land (known as the "Lower Petroglyphs") that has been annexed into the City of Albuquerque, the Lower Petroglyphs is not included in the TIDD boundaries.

The Project is designed to include a mixture of land uses that will help to broaden the tax base of the community, with a special emphasis on industry and economic development. The Project is intended to provide major employment centers for the Albuquerque metropolitan area. The Project also is planned to be a sustainable community that integrates a broad range of uses, promotes a variety of transportation opportunities, fosters economic development, and presents housing and lifestyle options reflecting traditional neighborhood development through a series of villages, each with specific design characteristics that create a sense of place. Village plans encourage pedestrian access within neighborhoods and a link to local shopping, schools, and employment sites. The Project also features public gathering spaces at highly accessible areas as well as open space and trails traversing the Project.

Fully developed, DevCo expects the Project to include the following major land uses:

- Upper Petroglyphs Primary Village, comprising approximately 2,050 acres of residential uses ranging in density, intensity, price and size, neighborhood-serving retail and commercial uses, and open space and community facilities;
- Highway Commercial, comprising approximately 750 acres of higher-density residential uses, regional and neighborhood-serving retail and commercial uses,

employment center industrial and corporate office for research, light industrial, advanced technology and other uses, and open space.

- Double Eagle Industrial Park, comprising approximately 380 acres of employment-center industrial for light industrial, advanced technology, aviation uses and other industrial uses.
- Lower Petroglyphs Primary Village, comprising approximately 270 acres of residential uses ranging in density, intensity, price and size, schools, and open space.
- Open space and trails, incorporated into the above areas, comprising approximately 250 acres.
- Schools, incorporated into the above areas, comprising approximately 160 acres in conformance with the Master Plan, including high schools, middle schools, and elementary schools as needed.
- Roads and Drainage, incorporated into the above areas, comprising approximately 500 acres.

Exhibit E.2: Form of Master Development Agreement

DevCo worked with the County to negotiate a Master Development Agreement that serves as the basis for the implementation of the financing. This Master Development Agreement was approved by the County on December 11, 2007.

Exhibit E.3: Fiscal Impact Study

DevCo's Application includes a Fiscal and TIDD Impacts Study is located at **Exhibit E.3** prepared by the Center for Urban Policy Research (Dr. Robert W. Burchell and William R. Dolphin, M.A.), a Market and Absorption Study at **Exhibit E.4**, prepared by The Concord Group, and a Financial Feasibility Study at **Exhibit E.6**, prepared by Development Planning & Financing Group, LLC.

These studies show that DevCo's proposed TIDDs results in a positive economic impact on the County. Although the precise extent and location of the infrastructure for each individual TIDD will not be finalized until the subsequent development agreement is negotiated and executed for that TIDD, the Fiscal and TIDD Impacts study demonstrates, in detail, the potential costs and revenues associated with utilizing the TIDD process to assist in development of the major infrastructure for the Upper Petroglyphs. In addition, the financial feasibility study utilizes the findings of the fiscal impact analysis to propose a structure for tax increment property tax bonds and gross receipt tax bonds over the life of each TIDD. The financial feasibility study utilizes the ratios identified within the fiscal study to demonstrate the positive fiscal impact upon the County for provision of services, include operation and maintenance.

The fiscal results of the proposed development are based on extremely conservative assumptions. Yet, they project that the development will be fiscally positive to Bernalillo

County throughout its buildout. The fiscal impact analysis conducted by DevCo is one of the most thorough analyses conducted in Bernalillo County to date. It calculates full future costs and revenues of development to the County, APS, and to the State of New Mexico. For each jurisdiction a full array of costs and revenues are projected and fiscal impacts are determined at buildout, during development, and after development.

While the development is under construction it will have 2-3 times the buildout surpluses to the County and to the State due to additional construction-phase gross receipts tax revenues. It will produce at buildout an annual surplus of \$5.050 million to the State, which will grow incrementally as the TIDD bonds are being repaid. After full repayment of the TIDD bonds, the surplus will reach \$51.433 million annually thereafter to the State. This surplus results even after all costs, including operation and maintenance, are taken into account.

Exhibit E.4: Market Study

Exhibit E.5: Economic Analysis

The challenges facing New Mexico in general and the Albuquerque economy in particular are to increase its capacity to attract investment from around the United States at a greater rate than its neighbors and competitors. The use of tax increment financing has been a critical tool for local jurisdictions approaching economic development in nearly every state. The ability to recapture a portion of the state and local tax burden is frequently cited as critical factor in site location decisions.

The Upper Petroglyphs Project area has the opportunity to offer a new set of options for investors and employers when considering New Mexico as a possible target for new capital investment a job creation. A closer examination of the industrial structure of the county, its leading employers, labor force, and infrastructure suggests a set of candidate industries that might effectively be attracted to the Project area. These include:

- Aviation/Aerospace
- Distribution/Logistics
- Semiconductor production
- Bio Medical production

The proximity of key infrastructure such as the Double Eagle II airport, the interstate highways, and access to the region's most affordable housing locations suggest that these particular sectors could be good candidates for attraction and expansion within the plan area.

Exhibit E.6: Financial Feasibility Study