



Agenda

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BUSINESS CAPITOL DISTRICT / DESIGN REVIEW COMMITTEE

**Thursday – June 09, 2011 –5:00 P.M.
200 LINCOLN AVE. SANTA FE, NM
CITY COUNCIL CHAMBERS**

- A. ROLL CALL**
- B. APPROVAL OF AGENDA**
- C. APPROVAL OF MINUTES**
Minutes of May 12, 2011
- D. FINDINGS (None)**
- E. OLD BUSINESS (None)**
- F. NEW BUSINESS (None)**
- F. BUSINESS FROM THE FLOOR**
- G. STAFF COMMUNICATIONS**

1. Railyard update (Richard Czoski)

H. MATTERS FROM THE COMMISSION

I. ADJOURNMENT

NOTES:

1. Procedures in front of the Business Capitol District / Design Review Committee are governed by Roberts Rules of Order. Postponed cases are postponed to: (1) a specific date; or (2) indefinitely until specific conditions have been resolved; or (3) to a specific date with the provisions that specific conditions be resolved prior to that date. Postponed cases can be removed from the postponed by a motion and vote of the Business Capitol District / Design Review Committee.
2. Due to time constraints not all issues may be heard and may be scheduled to the next scheduled Business Capitol District / Design Review Committee meeting. This agenda is subject to change at the discretion of the Business Capitol District / Design Review Committee.
3. New Mexico law requires the following administrative procedures to be followed by zoning boards conducting "quasi-judicial" hearings. In "quasi-judicial" hearings before zoning boards, all witnesses must be sworn in, under oath, prior to testimony and be subject to cross examination. Witnesses have the right to have an attorney present at the hearing. The zoning board will, in its discretion, grant or deny requests to postpone hearings.

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**MINUTES OF THE
BUSINESS CAPITOL DISTRICT/DESIGN REVIEW COMMITTEE
City Council Chambers
June 9, 2011**

A. CALL TO ORDER

A regular meeting of the Business Capitol District/Design Review Committee, was called to order by Councilor Patti J. Bushee, Chair, on June 9, 2011, at approximately 5:00 p.m., in the City Council Chambers, City Hall, Santa Fe, New Mexico.

B. ROLL CALL

MEMBERS PRESENT:

Councilor Patti J. Bushee, Chair
Michael A. Harris
Edmundo Lucero
Lorn Tryk

MEMBERS EXCUSED:

Elizabeth Bradley
Daniel Pava
Graciela Tomé

STAFF PRESENT:

Daniel Esquibel, Land Use Department
Melessia Helberg, Stenographer

There was a quorum of the membership in attendance

C. APPROVAL OF THE AGENDA

MOTION: Michael Harris moved, seconded by Edmundo Lucero, to approve the agenda as presented.

VOTE: The motion was approved unanimously on a voice vote.

D. APPROVAL OF MINUTES: MAY 12, 2011

MOTION: Michael Harris moved, seconded by Edmundo Lucero, to approve the minutes of the meeting of May 12, 2011, as submitted.

VOTE: The motion was approved unanimously on a voice vote.

D. FINDINGS (None)

There were no Findings.

E. OLD BUSINESS (None)

There was no Old Business.

F. NEW BUSINESS (None)

There was no New Business

G. STAFF COMMUNICATIONS

A copy of *Santa Fe Railyard Project – BCD-DRC June 9, 2011 Update*, prepared by Richard A. Czoski, Executive Director, is incorporated herewith to these minutes as Exhibit "1."

Chair Bushee asked Mr. Esquibel to send a copy of Exhibit "1" via email to the other Board members for their information.

*Chair Bushee departed the meeting and
Michael Harris assumed the duties of the Chair.*

1) RAILYARD UPDATE (RICHARD CZOSKI)

Richard Czoski presented information via power point. Please see Exhibit "1" for specifics of this presentation.

The Members of the Committee commented and asked questions as follows:

- *Mr. Harris's question here is inaudible because his microphone wasn't turned on.*

Mr. Czoski said parcels BB, EE, HH, NN and PP are all vacant and are not leased at this point.

- Mr. Tryk asked, regarding the 500,000 sq. ft. referenced by Mr. Czoski, if this is if each parcel is fully built out, and Mr. Czoski said yes.
- Mr. Tryk asked if this is to the maximum, or if it is a guess, or how this was calculated.

Mr. Czoski said the master plan has specific allowable development for each parcel, and the Railyard Corp has some discretion of approving either a larger or smaller size building. He said there are envelopes of height and setbacks which largely will dictate the size of any building on any parcel. The difference on Baca is that the parcels tend to be bigger, but they have to provide parking to meet Code on the parcel. He said in the North Railyard, all parking is common. So anyone building a new building, such as Masque, for example, don't have to meet any particular Code for parking. He said when they built the 900 spaces, they basically built enough parking for any development that could occur on those parcels. He said on Baca, depending on the use, the building may be smaller because it is very parking-intensive. Or, for example, if it is an industrial use where they don't need as many parking spaces, the building could be a little larger. He said the 500,000 sq. ft. is an estimate at this point, noting he took all existing and potential to reach this figure, and it could be 490,000 to 530,000 sq. ft.

- Mr. Lucero asked at what point will they say the cinema isn't going to happen.

Mr. Czoski said the parcel for the cinema is leased to the same developer that built Market Station where REI and Flying Star are located. The developer is paying rent on the parcel, and is not in default on its lease. He said the developer is facing a very difficult lending environment, and it is basically impossible to get a loan on a commercial real estate building, unless it is owner occupied, and even if it is 100% leased, it is virtually impossible to get financing. He said the reason the first building still has space is because the developer needs to borrow sufficient money to build-out the space in the first building. He said the finance market won't allow the developer to borrow the money, even though there is a great deal of demand for that building. He said it is sort of the "chicken and egg," situation. He said the developer has to demonstrate to tenants that it can afford to build out space before they will sign a lease, but the signed leases are needed to borrow the money. He said it is a conundrum which the developer is not alone in facing.

Mr. Czoski said his opinion is that the cinema won't be developed until the first building is stabilized and 100% leased. He said the Railyard approves every prospective tenant for every building, and he has seen the list of prospective tenants for Market Station which exceeds the available square footage. He said right now it is just raw space – a concrete deck and the ceiling – and they can't proceed.

Mr. Czoski said the City is considering leasing 22,000 sq. ft. on the second floor of Market Station, and the developer is seeking financing to pay for the construction of that space. He said if the City moves into Market Station, it is everybody's hope that that lease will generate a sufficient income stream for use by the developer as collateral to build out all of the space.

Mr. Czoski said, unfortunately Market Station and the project in general opened in 2008, which was just as the recession was making its impact known. He said the developer wants to build the cinema, we want the developer to build the cinema, noting the lease requires the developer to build the cinema, but until the realities of the financing market change, the cinema won't happen. He said there is a sufficient amount of interest from theater operators who would like to be there. He said they have done market studies and are ready to move forward with detailed negotiations, but there is no capital to build the building.

- Mr. Lucero said then we are going to be stuck for a hole in the ground for quite a while.

Mr. Czoski said it is years away, although he doesn't know how many. He said it will take time to obtain financing, and the 18 months to build the cinema, so we are years away from a completed cinema. This is the reality.

- Mr. Harris said it has been a tough road, and there is still a long road ahead, and it is not what people anticipated. However, for the benefit of the project for all parties, it seems appropriate to go in the hole and just clean that place up, which then would allow the rest of the Plaza to be completed. He said the portion of the Plaza west of the railroad tracks was not built as a concession to them and to others, because of the need for staging. It seems, however, if it is going to be years, it should be cleaned up and allow the Trust or whoever is going to complete the Railyard Park and the Plaza to do that. He asked if this is a possibility and if it has been a part of any discussion.

Mr. Czoski said the hole was the exit ramp used to bring dirt out of the excavation for the parking garage and the reason the hole is there. He said it wasn't part of a thwarted foundation excavation. He said since the hole was there and needed for the ramp, it wasn't filled in at the time. He said, to his knowledge, TPL is out of the construction business on any of the Railyard, so it would fall to the City to do this. He said the infrastructure loan from the City has been expended completely, and the Railyard Corp does not have the funds to do this. He said this is not a requirement in the developer's lease.

Mr. Czoski said another reason that part of the Plaza wasn't built is because there would be over-excavation whenever a cinema was built. He said therefore it didn't seem prudent to build the Plaza and then tear it up again.

- Mr. Harris said it just hasn't worked out as anticipated, and he doesn't believe anyone wants to penalize the Railyard Corp or anyone else. However, it seems to him, it would be an appropriate minimum step to clean things up and put it in service. He said perhaps the Plaza doesn't get built at this time, but it does seem it could open things a bit to make a little more sense out of the parcel. He doesn't know if this is part of the discussion between the Railyard and the developer and/or the City.

Mr. Czoski said it is not part of the discussion. He said there is no obligation on anyone's part at this point to fill that in and do anything with it, other than to build the cinema.

- Mr. Harris asked the view of the Railyard Corp in this regard.

Mr. Czoski said the Railyard's preference is to build the cinema.

- Mr. Harris said, but that won't happen anytime soon, noting Mr. Czoski said it would be years.

Mr. Czoski said the Railyard doesn't have the funds, nor does the City have funds to do it at this point, noting it is a large area to fill in, compact and stabilize. He said there have been no discussions with the City or the developer at this point to fill that in.

- Mr. Tryk asked if tenants can provide their own financing, noting they would be owner occupants at that point.

Mr. Czoski said yes, to the extent the tenant is an owner occupant. He said one of the tenants who leased the La Porta Building on Baca, a 12,000 sq. ft. warehouse, was so frustrated in trying to find financing, that she started her own business to lease 51% of the building, so she could obtain financing to renovate the building and lease the other 49% to two other tenants. He said this is a fairly extraordinary measure.

Mr. Czoski said most of the buildings with which the Railyard has been involved are not single tenant buildings, although there are a few. He said certainly Masque would have been an owner occupied building. He said for example, Northern Insurance which is on Baca, is an old, established locally owned insurance brokerage out of Las Vegas, New Mexico, which built an 8,000 sq. ft. building. They use about 2,000 sq. ft. for themselves and lease the rest to pay the mortgages on the building which is a common model, which is what Farmer's Market did and the rents generated pay its entire mortgage so the Farmer's can have its market hall. He commented that there is a lot of vacant space in Santa Fe.

- Mr. Harris asked if there are additional funds available from the NMFA.

Mr. Czoski said NMFA does have funds. However, a new market tax credit scenario, which is typically discussed by tenants with NMFA, is that NMFA will finance 20-30% of the project, but they still have to find the other 70-80% from a conventional funding source, or finance it privately, noting there are economic development criteria which must be met for NMFA to be able to loan them the money – jobs, GRT generation and such. He said it is available, but it is difficult to obtain financing from NMFA. He said he is hearing this consistently. He said people come in, agree on a deal with a handshake, and they go to get financing and the deal falls apart.

- Mr. Harris said, with regard to the negotiations that occurred between the developer and the City about leasing a portion of the Market Center, the deal has been struck, but they're trying to find financing for the improvements.

Mr. Czoski said on April 27, 2011, the City Council approved a Settlement Agreement with two components. There is a settlement agreement for possible litigation from the developer against the City and the *quid pro quo* is that the City will lease the space. The City gave the developer 120 days to obtain financing, which expires on August 25, 2011. The City hasn't signed anything, and won't until the financing is obtained.

- Mr. Lucero said earlier last year there was a discussion about changing the traffic pattern and allowing two-way onto Baca, and asked if that has become a problem.

Mr. Czoski said there is more development than when we looked at this previously, noting the sporting goods store draws a lot of traffic. He said there is more use of the intersection because there are more people in the project. He said the City has said when we reach a critical mass of development, the City will put counters at the intersection where Rail Fan goes into Cerrillos, to see if there is sufficient traffic to warrant a traffic signal on Cerrillos. Mr. Czoski said there isn't sufficient traffic at this time, and it is still a dangerous situation, because there are more people going the wrong way. He said the catch-22 is that there still isn't enough traffic to generate the needed count to warrant a traffic signal.

- Mr. Harris said he always thought it was one-way in because there wasn't enough room for parking and two-way traffic.

Mr. Czoski said the original master plan had Baca sealed off completely. Then, some of the area businesses came to the Council and asked them to make it one-way in, and they wanted parking for their customers. So, the Railyard had to redesign the water retention to build some parking. He said the parking was created, noting it never was in the master plan, and that was to be green area and water retention ponds. He said, as a compromise, the City said parking will be allowed, however, it wasn't going to undermine the wishes of the public in the original master plan and just have traffic come in. There was a concern that this project would generate a lot more traffic going out into Baca Street which is very narrow, so the compromise was one-way in. He said if you've been there and tried to get out on Rail Fan, turning north on Cerrillos is very dangerous, and most people don't do it. They go out the wrong way, turn left on Baca and left on Cerrillos to go north. So, that problem hasn't gotten better.

- Mr. Harris said there were comments from different people when the issue came before this group. He said, for example, the owner of Counter Culture was concerned mainly about leaving the parking there. He said a two-way intersection would involve reworking the retention pond as well as losing one-side of the parking and certainly losing some of the spaces. He said the issue of increasing traffic onto Baca was also a problem, particularly for Councilor Bushee.
- Mr. Tryk said there is no good solution because it's "darned inconvenient" to have to go the wrong way, and every other option is "darned inconvenient." He said the alternative is a nightmare, although he realizes the down-side of a two-way, commenting this wasn't very well thought out.

- Mr. Harris said John Romero did site a visit with Mr. Esquibel, and John Romero spoke to this group, and said what Mr. Czoski just said – the money isn't there, the count isn't there. He said the School for the Deaf has an access easement through this parcel which is being used for construction traffic, so it is used by more than just the tenants. He asked at what point will the critical mass be reached in terms of the leasehold interests to start looking at a traffic count. He said the solution is a traffic signal at Rail Fan and Cerrillos.
- Mr. Czoski said to a certain extent it depends on what development occurs there. If it is industrial, it won't be as much, if residential it will be more multi-family. He said Mr. Romero indicated at that time that we were about 1/3 of the way there in terms of a traffic count, and we probably are 1/2 the way there now.
- Mr. Lucero asked how far the entrance is from Cerrillos, noting there already is a signal at Cerrillos, and another signal at the Baca entrance would be very close to that.
- Mr. Harris said a signal was never proposed at Baca.
- Mr. Czoski said a signal was proposed at Cerrillos, where Alta Vista comes in which was to be realigned to match up with Rail Fan. He said when the master plan was done, the DOT site was going to be redeveloped, and much denser than it is now. The master plan shows a realigned Alta Vista Street and it shows the traffic signal. So, the people who drafted the master plan did studies at the time, and it is very close, but it met engineering standards because it was planned to go in. He said they built the road where it was designed to be built in the master plan. He said, however, DOT didn't happen and we don't have the density at this point.
- Mr. Harris asked if the Transit Oriented Development on the other side of the street is now dead.

Mr. Czoski said he would have to ask the State about that. However, it is a great site and should be developed, but he hasn't heard that it is imminent.
- Mr. Harris asked if the payment on the Art Yard ground leases are current.

Mr. Czoski said yes, noting the leases on the other two parcels were terminated and they now have those back.
- Mr. Harris said at one time there was a discussion of possible changes to El Museo regarding the Santa Fe Clay space, and asked for an update.

Mr. Czoski said the BCD DRC and City Council approved demolition of the 10,000 sq. ft. which is occupied by Santa Fe Clay. Santa Fe Clay will be leaving the Railyard when its lease is up in February 2012, and the disposition of that space is uncertain at this point. He said there has been discussion about using that space for the cinema, but we'll have to wait to see how the design of the cinema develops. He said one design was approved for the cinema, which was approved by the BCD DRC as well as the City Council, but that was in 2005. So, if the developers come back

with a different design, it will have to come back to this body and to the Railyard Corp for approval. He said we'll have to see how the cinema project progresses before we know the disposition of the 10,000 sq. ft. that comprises Santa Fe Clay

- Mr. Harris said at one time, some of the people who developed gallery space were also looking at the Santa Fe Clay space.

Mr. Czoski said this is correct. He said if we were to assign that space to a free-standing development, he believes we could find a tenant very quickly to build a building on that space due to the great location. However, we also don't want to negatively impact the ability for the cinema to be built. They feel the cinema is more important to the project than another building with retail and office. The thought is that it is cheaper to build cinema space above ground than below. However, if the economics dictate that a little more of the cinema has to be above ground than below ground, they will have to look at the design and make a decision at that point.

- Mr. Harris asked if there have been specific studies about what it would take to convert the 10,000 sq. ft. into the cinema space.

Mr. Czoski said the 10,000 sq. ft. would be demolished, because it isn't usable as is. A new exterior wall, fire rated structural wall would go in for El Museo, and there would be a walkway between El Museo and the new building, which was part of the approval of the original cinema.

- Mr. Harris said then the pad would go down and the pad would increase for the cinema.

Mr. Czoski said the pad would be added to the existing pad designated for the cinema, whether that will help or not he doesn't know. However, this is a contingency they've considered, and the reason they sought approval for the demolition. He said the economics aren't getting easier for any building, and they were looking for a way to help mitigate the challenge to get the building developed. And one way to do that was to do more above ground.

Responding to a question from Mr. Harris, Mr. Czoski said the decision has made to continue to wait for the cinema to be developed, although they may have to make a different decision at some point. He said they feel a cinema will bring a wide variety of people to the project which will support the other building in this project, and it was envisioned in the master plan. He said there is a broad demographic of people who go to the cinema, especially if we wind up with an IMAX and state of the art digital projection and such. He said they really want to encourage more youth and more people across the board to come to the project.

Mr. Czoski said the Depot Building was leased recently by the City, and the City has established a Convention & Visitors Bureau office there, which is open 6 days a week, and open generally during the times the Rail Runner comes and goes. It has been a great help already to people coming up to Santa Fe on the Rail Runner who are looking for advice and direction. He said there

also will be a Police Substation in the building, which will be a welcome addition. He said the City will be doing some minor work inside the building, but no exterior work, noting this also is a historic building.

- Mr. Harris said we haven't spoken about Masque and the changes there, noting he read in the newspaper that financing is the biggest hurdle that remains.

Mr. Czoski said the parcels have been put back on the market. He said Masque has a right of first refusal through the end of October 2011, so if they get another offer they take to Masque and Masque has 10 business days to either pass or sign leases. He said at this point he can't ascribe more than a 50-50 chance of Masque happening. He said Masque is working on financing, but as he's said many times this evening, that is a high hurdle. He said the uncertainty of the political situation regarding the State subsidies really slowed the progress of Masque.

- Mr. Lucero said the whole atmosphere in the movie business has changed during the past year when it comes to movie production. He said we went from "gung ho," to "let's wait and see."

Mr. Czoski said there was a great deal of urgency last year to move the Masque project ahead, and everybody devoted a huge amount of time to it, and nothing has happened since the approval in October 2010.

Mr. Harris said Mr. Czoski and the Santa Fe Community Railyard Corporation have done a great job, which has required a lot of patience and commitment on their part. He said he believes they are to be commended for that. He said he applauds all he has done, and hopes he can get it across the finish line "sometime in our lifetime."

Mr. Czoski said they definitely hope this is the case. He said when he started the project, he thought he would be done in 18 months, and it's now been 7 years. He thanked the Committee for its role in helping the TPL to achieve its part, which was no easy task. He said what TPL built was critical to the project and has been one of the jewels of the project, and thanked the Committee for its role in getting this done.

Mr. Harris said it is starting to be recognized as a great spot for different activities, and hopes more events will occur there this summer.

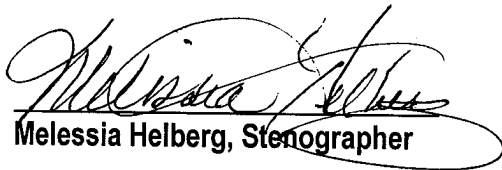
H. MATTERS FROM THE COMMISSION

There were no matters from the Commission.

I. ADJOURNMENT

There was no further business to come before the Committee, and the meeting was adjourned at approximately 6:15 p.m.

Councilor Patti J. Bushee, Chair



Melessia Helberg, Stenographer