



APPLIED ECONOMICS

**ECONOMIC IMPACTS OF
LOS RANCHOS VILLAGE CENTER**

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1.0 INTRODUCTION

Applied Economics was retained by Palindrome Communities LLC to prepare an economic impact analysis of a proposed mixed use development to be located in the Village of Los Ranchos de Albuquerque, New Mexico. The project is generally located at the southeast corner of 4th Street and Osuna Road, adjacent to the historic Chamizal Acequia. The proposed Los Ranchos Village Center represents a collaborative effort between the Village of Los Ranchos, Palindrome Communities and Bernalillo County to bring a combination of family and senior housing, apartments, commercial and public uses into a compact mixed use Planned Area Development. The development would highlight the agricultural heritage of the community and create a focal point for local farmers, micro restaurants and retailers. It would also include the new North Valley Economic Development Center (NVEDC), which would operate an instructional brewery and commercial kitchen to support entrepreneurial economic development.

This 12.5 acre mixed use project includes three phases, all of which would begin construction in 2021, with the first phase encompassing multi-story apartments with ground floor retail as well as affordable senior living units and townhomes. The commercial portion of the development in phase two would include a grocery store, three additional commercial buildings, as well as micro-retail. The final phase of the development would include the NVEDC and the accompanying brewery and commercial kitchen as well as micro-restaurants and a brew pub. In total, the development is anticipated to include 224 housing units and 73,000 square feet of commercial space.

1.1 Project Description

Based on the current site plan, the first phase of the proposed project would include 160 mixed-income apartments, 48 affordable senior living units and 16 townhomes (Figure 1). The second and third phases would include a 15,000 square foot neighborhood grocery store, approximately 20,500 square feet of other commercial space, 6,680 square feet of micro-retail with 15 units, 3,740 square feet of micro-restaurants with 10 units, a 3,270 square foot brew pub, and a 24,100 square foot economic development center including an instructional brewery and commercial kitchen. The proposed plan would support about 98 jobs. It is anticipated that final sizes and unit counts of these phases may vary from those shown in Figure 1; however, it was necessary to make specific assumptions in order to calculate the economic impacts.

The analysis presented here details the annual impacts of the proposed project on the Village of Los Ranchos and Bernalillo County over the next ten years. It includes the economic impacts of construction and operations, as well as tax revenue impacts to the village. The residential buildings are anticipated to begin construction in January 2021 and be fully leased by December of 2022. The commercial components in phase two are anticipated to begin construction in June of 2021 and be fully leased by September 2022. The NVEDC and related facilities are expected to begin construction in September 2021 and be fully occupied by December 2022.

**FIGURE 1
DEVELOPMENT ASSUMPTIONS**

Land Use	Square Feet	Units	Occupancy Rate	Employees	Taxable Sales per Square Foot	Lease Rates per Unit/ Square Foot
Phase I						
Senior Housing	46,213	48	95%	2	na	\$652
Multi-Family	161,436	160	93%	6	\$0	\$969
Townhomes	37,540	16	93%	0	\$0	na
Phase II						
Other Commercial	20,493	na	90%	7	\$250	\$18
Micro Retail	6,683	15	93%	23	\$400	\$22
Grocery Store	15,000	na	100%	18	\$400	\$20
Phase III						
Micro Restaurant	3,740	10	93%	20	\$750	\$26
Brew Pub	3,272	na	100%	7	\$500	\$18
Development Center*	24,089	na	100%	15	\$0	\$0
Total	318,466	224	na	98	na	na

*Includes commercial kitchen and brewery.

The information and observations contained in this report are based on our present knowledge of the components of development, and of the current physical, socioeconomic and fiscal conditions of the affected areas. Estimates made in this analysis are based on hypothetical assumptions, current tax policies, and the current economic structure of the region. However, even if the assumptions outlined in this report were to occur, there will usually be differences between the estimates and the actual results because events and circumstances frequently do not occur as expected. This analysis is based on the best available information and is intended to aid in quantifying the project's impacts on the local economy. In no way will Applied Economics be held responsible or have any liability or be subject to damages as a result of this analysis. This report may be used only for the purposes that it was intended.

2.0 IMPACT SUMMARY

The proposed development detailed in this analysis would provide a variety of economic and revenue benefits to the Village of Los Ranchos and Bernalillo County over the next ten years. This project would create a focal point for new urban development and entrepreneurship in this culturally rich agricultural community of Los Ranchos de Albuquerque.

- The proposed development could have a total annual economic impact of \$15.7 million on the county's economy each year, or \$145.7 million over the first ten years of operations. Approximately 90 percent of these impacts would be captured in the Village of Los Ranchos. Economic impacts measure the effects of economic stimuli or new demand for goods and services in the local economy. New demand in this case is created by the businesses and employees in the mixed use development.
- The project could directly and indirectly support an estimated 143 new jobs and \$4.9 million in annual payroll by 2023, including an estimated 98 jobs and \$2.9 million in estimated payroll at businesses within the development. The additional indirect jobs represent impacts at other local businesses that would benefit from new demand created by the commercial businesses in the development, and local spending by the employees.
- The multi-family, senior living and townhome households in the development could have a combined annual income of \$9.3 million assuming 224 units at 93 to 95 percent occupancy. Of this total, \$4.6 million is anticipated to be spent on taxable goods and services, including purchases within the development and elsewhere in Los Ranchos, as well as purchases elsewhere in the region.
- The project would also generate non-recurring construction impacts. Hard construction costs for the project are estimated at \$60.7 million. This construction activity, which is anticipated to begin in 2021 and extend through December 2022, could generate a one-time economic impact of \$106.0 million in Los Ranchos and throughout the county, supporting close to 750 jobs and \$35.0 million in payroll over approximately two years.
- The project would also generate additional tax revenues to the village, county and state. Direct tax revenues to the Village of Los Ranchos include property and gross receipts taxes from businesses and residents in the development and are estimated at \$2.7 million over the next ten years including construction revenues. There would be an additional \$22.6 million in estimated revenues to the county, schools and state.

FIGURE 2
SUMMARY OF RESULTS
LOS RANCHOS VILLAGE CENTER

Project Profile	
Total Estimated Square Feet	318,466
Apartment Units	160
Senior Living Units	48
Townhomes	16
Commercial Square Feet	49,188
North Valley Economic Development Center	24,089
Total Capital Investment (millions)	\$77.7
Construction Impacts (millions)	
Hard Construction Costs	\$60.7
Total Output	\$106.0
Labor Income	\$35.0
Jobs	746
Ten Year Economic Impacts (millions)	
Total Output	\$145.7
Labor Income	\$46.3
Jobs	143
Household Demand (millions)	
Aggregate Annual Income	\$9.3
Annual Taxable Spending	\$4.6
Ten Year Tax Revenue Impacts (millions)	
Village of Los Ranchos	\$2.7
Bernalillo County	\$5.1
Albuquerque Public Schools	\$4.1
State of New Mexico	\$13.4

3.0 ECONOMIC IMPACT RESULTS

The economic benefits resulting from the proposed Los Ranchos Village Center development include one-time construction impacts and on-going operations impacts. These impacts are quantified in terms of direct and indirect jobs, labor income and output that could be generated by the project. Economic impacts measure the effects of economic stimuli or expenditures in the local economy. Indirect impacts are the result of the multiplier effect and capture supported supplier and consumer businesses and their employees in the community that benefit from these new economic stimuli.

Construction Impacts

The project would result in total development costs of close to \$77.7 million including land, hard and soft costs, FF&E and off-site improvements. The estimated hard costs of \$60.7 million will primarily occur on-site and create local jobs and other economic impacts in Los Ranchos during the construction period in 2021 and 2022. The multiplier effect of this \$60.7 million in construction spending could result in a total increase in economic activity in Bernalillo County of about \$106.0 million, including \$90.7 million in Los Ranchos. The approximately 750 direct and indirect jobs created by this construction project could result in close to \$35.0 million in labor income generated in the county during the construction period. These construction impacts include local supplier purchases and employee spending. There would be additional impacts from supplier purchases and employee spending in other parts of the metro area that are not captured here.

Total labor income or payroll from construction, and the total increase in economic activity from new construction expenditures are shown in Figure 3. These impacts are projected to occur over approximately a 24 month period in 2021 and 2022.

**FIGURE 3
CONSTRUCTION IMPACTS OF LOS RANCHOS VILLAGE CENTER**

	Direct Impacts			Total Impacts		
	Construction Cost*	Jobs	Labor Income	Output	Jobs	Labor Income
Village of Los Ranchos	\$60,690,000	411	\$20,975,792	\$90,654,693	658	\$29,198,621
Residential	\$47,144,000	300	\$15,419,834	\$72,016,532	511	\$22,721,743
Commercial	\$13,546,000	111	\$5,555,958	\$18,638,161	148	\$6,476,878
Bernalillo County Total	\$60,690,000	411	\$20,975,792	\$106,022,839	746	\$34,962,347
Residential	\$47,144,000	300	\$15,419,834	\$84,882,048	583	\$27,086,999
Commercial	\$13,546,000	111	\$5,555,958	\$21,140,791	163	\$7,875,349

* Construction impacts include hard cost only.

Operations Impacts

Once construction is completed, the proposed project could create about 98 permanent jobs in the commercial businesses within the development and in property management at the apartments. The results shown here reflect a partial year of operations in 2022 with full employment in all phases of the development by 2023. The project will generate economic impacts through business-to-business spending locally, as well as through employee spending.

The operations of the businesses in the proposed mixed-use development could create direct annual impacts of \$9.2 million by 2023, supporting about 98 new direct jobs. In addition to the direct impacts generated by the commercial tenants, there would also be local supplier purchases and employee spending that is represented in the multiplier effects. Through the multiplier effect, the development could result in a total annual economic impact of \$14.0 million in Los Ranchos, or \$129.7 million over ten years, and 132 direct and indirect jobs (Figure 4). There would be an estimated \$15.9 million in additional indirect output and approximately 11 jobs supported in other parts of the county.

FIGURE 4
ANNUAL ECONOMIC IMPACTS OF LOS RANCHOS VILLAGE CENTER

	Direct Impacts			Total Impacts		
	Output	Jobs	Labor Income	Output	Jobs	Labor Income
Village of Los Ranchos	\$85,728,240	98	\$27,559,830	\$129,724,347	132	\$40,739,476
2022	\$2,697,797	50	\$1,366,109	\$4,140,212	60	\$1,769,516
2023	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2024	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2025	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2026	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2027	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2028	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2029	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2030	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
2031	\$9,225,605	98	\$2,910,413	\$13,953,793	132	\$4,329,995
Bernalillo County Total	\$85,728,241	98	\$27,559,830	\$145,674,119	143	\$46,269,491
2022	\$2,697,797	50	\$1,366,109	\$4,686,105	64	\$1,953,416
2023	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2024	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2025	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2026	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2027	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2028	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2029	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2030	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008
2031	\$9,225,605	98	\$2,910,413	\$15,665,335	143	\$4,924,008

The economic impact results presented here are grouped into direct impacts for the commercial development (including the NVEDC) and residential property management activities, plus local indirect and induced impacts. Direct impacts include new employment, payroll and sales within the development. The commercial tenants and residential property management operations will generate demand for suppliers of goods and services in the local area, and their employees will make local purchases that are captured in the total impact estimates. The total impact includes both the direct impacts and the indirect and induced impacts created by other local businesses and their employees.

The secondary impacts of supplier expenditures, employee spending are called multiplier effects. Multiplier effects are a way of representing the larger economic effects on the local economy. The multiplier effects translate an increase in output (loosely defined for service industries as gross sales) into a corresponding increase in jobs and labor income. In essence, the multiplier effect represents the recycling of local spending. This recycling process creates new business opportunities.

The multipliers used in this analysis are from IMPLAN, a nationally recognized vendor of economic impact software, and are specific to the economy of the Village of Los Ranchos and Bernalillo County. IMPLAN software is used to create detailed social accounting matrices and multiplier models of local economies. IMPLAN is used by more than 1,000 public and private institutions and is well respected within the academic community as a tool for creating local economic multipliers. In this case, industry-specific multipliers are used for commercial and multi-family construction, restaurants, grocery stores, miscellaneous retail, property management and local government.

The direct and indirect jobs generated by this project could support a total local population of about 300 people, not including the occupants of the multi-family and townhome units. Supported population includes families of direct employees, as well as families of employees at related supplier and consumer businesses. An estimated 73 percent of the employees would live in Bernalillo County and 4 percent would live in the Village of Los Ranchos, based on local commuting pattern data. ¹

Household Demand

Although the resident households do not directly generate jobs that can be included in the economic impacts, they do generate new retail and service demands. Given the inter-connected nature of development in the Albuquerque metropolitan area, it is difficult to determine exactly how much of that retail demand would be captured in Los Ranchos. However, it is possible to estimate the amount of additional demand that would be created by these 224 households based on the lease rates and/or sales prices for the proposed units and implied resident income levels. Note that spending patterns generally differ by income level with lower income households spending more on necessities and high income households spending more on discretionary items. In addition, the senior residents would have different spending patterns than younger residents. These differences are reflected in the household demand estimates presented here based on Consumer Expenditure Survey data from the Census.

¹ Census Longitudinal Employer-Household Dynamics, 2019.

Household purchases can be divided into the following categories:

- *Local retail and services* – purchases such as groceries and household supplies typically made within a five to seven mile radius from the consumer’s home
- *Regional retail and services* –specialty and higher priced items such as vehicles, appliances, apparel and entertainment that are typically purchased from a regional mall or specialized provider within the metro area
- *Non-local expenditures* – items such as mortgages, insurance, income taxes and savings that do not impact local business establishments

Figure 5 shows that the resident households in Los Ranchos Village Center could generate approximately \$9.3 million in new household income in the Village of Los Ranchos at build out, assuming a stabilized occupancy rate of 93 percent for the multi-family and townhomes and 95 percent for the senior units. An estimated \$4.6 million of this total would be spent on taxable items according to the distribution of spending by type in the Consumer Expenditure Survey. Approximately \$2.5 million of the \$9.3 million would likely be spent on purchases generally made within approximately five to seven miles of the development, including retailers within the development.

FIGURE 5
TOTAL HOUSEHOLD SPENDING BY TYPE FOR LOS RANCHOS VILLAGE CENTER

	Seniors	Apartments	Townhomes	Total
Local Retail & Services	\$379,989	\$1,886,424	\$251,102	\$2,517,514
Groceries	\$123,170	\$553,241	\$82,346	\$758,756
Restaurants & Bars	\$71,828	\$391,817	\$51,093	\$514,738
Personal care products and services	\$23,611	\$116,969	\$15,357	\$155,938
Housekeeping supplies	\$20,985	\$103,234	\$11,257	\$135,476
Small appliances, misc housewares	\$3,567	\$13,883	\$1,911	\$19,360
Household textiles	\$3,152	\$15,950	\$1,477	\$20,579
Drugs	\$21,233	\$70,152	\$8,634	\$100,019
Medical supplies	\$7,188	\$21,267	\$3,092	\$31,548
Gasoline and motor oil	\$39,868	\$283,857	\$37,368	\$361,093
Vehicle maintenance and repairs	\$22,533	\$123,467	\$14,523	\$160,524
Other household expenses	\$32,873	\$121,991	\$15,635	\$170,499
Tobacco products	\$5,419	\$60,257	\$6,793	\$72,468
Reading	\$4,562	\$10,338	\$1,616	\$16,516
Regional Retail & Services	\$349,023	\$1,594,444	\$221,881	\$2,165,348
Home maintenance services	\$63,424	\$181,361	\$23,088	\$267,873
Furniture and floor coverings	\$10,091	\$54,349	\$7,870	\$72,310
Major appliances	\$7,050	\$37,513	\$4,517	\$49,080
Miscellaneous household equipment	\$21,952	\$106,336	\$18,450	\$146,737
Apparel and shoes	\$33,371	\$193,029	\$26,302	\$252,701
Cars and trucks, new	\$42,301	\$165,263	\$26,632	\$234,196
Cars and trucks, used	\$30,385	\$192,290	\$34,971	\$257,646
Other vehicles	\$1,051	\$10,043	\$1,164	\$12,257
Medical services	\$27,592	\$115,935	\$14,384	\$157,912
Entertainment fees and admissions	\$13,824	\$55,974	\$8,374	\$78,171
Audio and visual equipment and svcs	\$28,422	\$127,750	\$17,286	\$173,458
Pets, toys, hobbies, playground equip	\$18,939	\$116,378	\$12,404	\$147,721
Other entertainment supplies	\$20,597	\$80,490	\$3,492	\$104,579
Education	\$10,368	\$93,191	\$12,699	\$116,259
Public and other transportation	\$19,657	\$64,540	\$10,250	\$94,447
Non-Local Expenditures	\$648,613	\$3,438,333	\$557,431	\$4,644,377
Housing rent	\$171,443	\$1,145,323	\$150,064	\$1,466,830
Other lodging	\$23,805	\$74,140	\$9,920	\$107,864
Utilities	\$105,227	\$562,397	\$69,525	\$737,149
Vehicle finance charges	\$3,152	\$27,027	\$3,683	\$33,862
Vehicle insurance	\$25,906	\$121,548	\$18,884	\$166,337
Vehicle rental, leases, licenses	\$16,146	\$82,705	\$11,622	\$110,474
Health insurance	\$132,045	\$432,727	\$56,217	\$620,989
Cash contributions	\$72,575	\$181,804	\$23,783	\$278,162
Personal insurance and pensions	\$98,315	\$612,907	\$89,694	\$800,916
Savings, income taxes and other	\$0	\$197,755	\$124,040	\$321,794
Total Household Spending	\$1,377,625	\$6,919,200	\$1,030,415	\$9,327,240
Total Taxable Spending	\$715,520	\$3,415,589	\$459,172	\$4,590,281

4.0 REVENUE IMPACT RESULTS

In addition to supporting jobs and output at related businesses in the village and the county through multiplier effects, the project would also result in increased local tax revenues. The development could directly generate approximately \$191,000 per year in new property and gross receipts taxes to the village beginning in 2023, and \$1.7 million to the county, schools and state. Over a ten year period, total new tax revenues from the development are estimated at \$25.3 million, including construction taxes in 2021 (Figure 6). There would be additional gross receipts taxes from resident spending outside the development that are not included here.

FIGURE 6
ESTIMATED LOCAL REVENUE IMPACTS OF LOS RANCHOS VILLAGE CENTER

	Property Tax				Gross Receipts Tax			Total Revenues
	Village	County	Schools	State	Village	County	State	
Total	\$196,742	\$1,759,578	\$4,092,316	\$267,569	\$2,552,956	\$3,350,755	\$13,083,901	\$25,303,818
2021	\$0	\$0	\$0	\$0	\$606,900	\$796,556	\$3,110,363	\$4,513,819
2022	\$17,886	\$159,962	\$372,029	\$24,324	\$47,194	\$61,942	\$241,869	\$925,205
2023	\$17,886	\$159,962	\$372,029	\$24,324	\$173,417	\$227,609	\$888,760	\$1,863,986
2024	\$17,886	\$159,962	\$372,029	\$24,324	\$176,885	\$232,161	\$906,535	\$1,889,781
2025	\$17,886	\$159,962	\$372,029	\$24,324	\$180,423	\$236,805	\$924,666	\$1,916,093
2026	\$17,886	\$159,962	\$372,029	\$24,324	\$184,031	\$241,541	\$943,159	\$1,942,931
2027	\$17,886	\$159,962	\$372,029	\$24,324	\$187,712	\$246,371	\$962,022	\$1,970,306
2028	\$17,886	\$159,962	\$372,029	\$24,324	\$191,466	\$251,299	\$981,262	\$1,998,228
2029	\$17,886	\$159,962	\$372,029	\$24,324	\$195,295	\$256,325	\$1,000,888	\$2,026,708
2030	\$17,886	\$159,962	\$372,029	\$24,324	\$199,201	\$261,451	\$1,020,905	\$2,055,758
2031	\$17,886	\$159,962	\$372,029	\$24,324	\$203,185	\$266,680	\$1,041,324	\$2,085,390
2032	\$17,886	\$159,962	\$372,029	\$24,324	\$207,249	\$272,014	\$1,062,150	\$2,115,613

The primary revenues from the development include property and gross receipts taxes. Gross receipts include taxable sales at the on-site retail and restaurants estimated at \$17.3 million by 2023 and increasing at an estimated 2 percent per year. This could result in \$1.3 million in annual gross receipts revenues beginning in 2023, including \$173,000 to the village, based on a total tax rate of 7.438 percent. One-time taxes on construction are estimated at \$4.5 million, including \$607,000 to the village in 2021. There would be additional gross receipts taxes from the resident spending that are not fully captured here given the difficulty in estimating the share of sales that would be captured outside the development, but in the Village of Los Ranchos.

Property taxes to the village are estimated at about \$18,000 per year beginning in 2022 and \$556,000 to other state and local jurisdictions. The property tax estimate is based on average taxable property value per square foot for other similar multi-family properties, grocery and retail centers in Los Ranchos, as well as estimated hard construction costs for this project. A property tax rate of 3.15 percent for residential property and 3.63 percent for non-residential property and an assessment ratio of 33.3 percent were used in this estimate.

Summary

The proposed Los Ranchos Village Center development in the Village of Los Ranchos could create significant economic benefits for the village and the county, with annual economic impacts of \$15.7 million, or a total of \$145.7 million over the first ten years of operations. The project could also directly generate more than \$25.3 million in state and local tax revenues over the next ten years. This development would provide a unique mix of residential and commercial development that would highlight the historical roots of the community, support local entrepreneurial development and create a unique live-work community that would maximize the development potential for this site.