

# What To Do With Debt?

## County Borrowed, Didn't Buy Site

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Bernalillo County borrowed about \$42 million last year to buy its dream home — the swanky 500 Marquette office building in Downtown

Albuquerque.

The problem? It never bought the place.

That leaves the county government in an unusual situation this summer: making arrangements to pay off the debt for a building it didn't buy.

"It's not like a home loan," County Manager Thaddeus Lucero said of the \$42 million bond issue. "You can't pay it back" immediately.

So what does a government do with an extra \$42 million

lying around? Invest it.

County Treasurer Patrick Padilla estimated the money is earning interest income of around 3.7 percent. The interest the county pays on the debt is 3.8 percent.

Regardless, the county says the amount made from the investment income is roughly equal to the \$1.67 million it will pay in debt service in the coming fiscal year for the bonds.

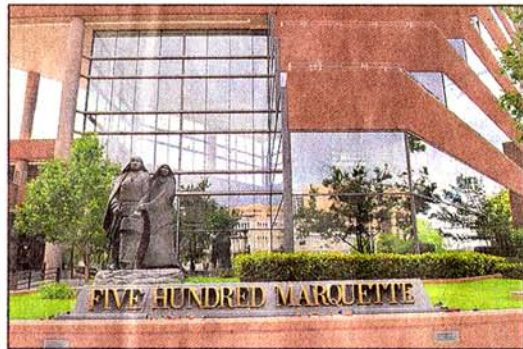
The situation is temporary, county executives say. They can "call" the bonds next

summer, a process in which the county will essentially give back the \$42 million and be free of the debt.

Plans to buy an office building — 500 Marquette or otherwise — are on hold.

"I really don't think the county should be shopping for a building," said County Commissioner Art De La Cruz, who wasn't on the commission last year when the bonds were sold.

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MORGAN PETROSKI/JOURNAL

Bernalillo County borrowed about \$42 million to buy the office building at 500 Marquette NW. It never went through with the purchase but is stuck with the debt.

# Marquette Building Money Sits Waiting

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The desire for a new building came to a head last summer. Bernalillo County officials say they have been squeezed for space at the city-county Government Center, where they share offices with the larger city of Albuquerque government and the local Water Utility Authority.

County offices are spread across several buildings in the Downtown area, making it inconvenient for people who have business with several county departments that deal with the same topic. The county clerk, assessor and planning department, for example, all house property records — in separate buildings.

Lucero envisioned saving money and streamlining public access by putting county operations in one spot, whether by building a new office building or buying one.

The county subsequently closed in on the purchase of 500 Marquette, which sits across the street from the county's current headquarters. The building was once home to the fancy Petroleum Club restaurant and features a four-story atrium. It gets its name from its address: 500 Marquette NW.

## Deal falls through

In August last year, commissioners approved the sale of \$42 million in revenue bonds to fund the acquisition. The debt would be paid off initially from rental income generated by private tenants already in the building.

The August bond issue was an interim arrangement using taxable bonds. It was to fund the purchase, then the county would refinance the debt two years later with non-taxable bonds.

But the deal fell through. Critics questioned the price. The building had sold eight years earlier for \$21.7 million, the *Journal* reported.

And, as the national economy tightened, the county called off the acquisition.



JOURNAL FILE

**Bernalillo County officials wanted to consolidate offices, now in various Downtown locations, into this building at 500 Marquette. The county borrowed \$42 million to buy it, then didn't go through with the purchase.**

Commission Chairman Alan Armijo said the county wanted to ensure it was getting a good deal. Other property owners contacted the county to offer alternative sites. None of those has panned out, he said.

"There's a possibility we may buy that building if they come back, especially in these economic times, and give us a better deal," Armijo said during an interview Thursday.

Lucero said the overall impact on taxpayers has been minimal, given that the estimated investment income is close to the debt payment due this year.

It's difficult to say exactly how much the \$42 million will earn because it's invested in a variety of ways, along with other county money, officials said.

"It's really mixed in with all the other investments,"

Deputy County Manager Dan Mayfield said.

County officials said it was legal to invest the money even though the bond resolution says the funds were to be used for public buildings.

Of course, some costs can't be recovered. The county spent about \$15,000 on an appraisal, and the county has to pay its bond attorneys, Hughes & Strumor Ltd. Co. Mayfield didn't have an immediate estimate on the county's share of the bond-attorney fees, but he said they don't amount to much.

In the meantime, the county's space crunch has been relieved partly by moving some employees into the old county courthouse. The local school district renovated the courthouse so it could temporarily house a school. Now that it's empty, the county has moved some employees there.