



January 21, 2021

Mayor Alan Webber
City of Santa Fe
200 Lincoln Avenue
Santa Fe, NM 87504

It has been an honor and privilege to work with the City of Santa Fe as the Midtown Master Developer. After many months of meeting with partners, consultants, community stakeholders, and city leaders and staff, KDC Cienda-SF and the Midtown Team have identified the following challenges to the successful development of the Midtown Campus:

- Timing – The 12-month exclusive right to negotiate in the ENA assumes that due diligence and entitlements can be completed much faster than we all now believe possible. The community and the City have raised issues that will require an extended process of community engagement to resolve. The work required to respond to the community properly will add considerable time and risk to the process.
- Alignment of Risk Sharing – The RFEI established a system that allowed the master developer to share the financial risk of due diligence costs with the City. In the final ENA, all of the financial risk for due diligence and planning was transferred to the master developer. Successful development will require an alignment of risk between the City and any developer.
- Access – Gaining additional vehicular access to the campus was one of the threshold requirements for the conceptual plan submitted by Team Midtown and most of the other responders. After meeting with community stakeholders, it is apparent that additional access will be required to mitigate the traffic issues that the new development will generate in the surrounding neighborhoods. It is unclear if the City will be able to secure the additional access.
- Building Condition / Environmental Contamination - Due diligence has confirmed that the existing buildings have no commercial value. Existing and probable other contamination will add cost to the demolition of existing buildings, the re-use of the buildings to be renovated, and infrastructure development. Obtaining a Brownfield designation will be required to satisfy the requirements of private-sector lenders and investors. The process of the City obtaining a Brownfield designation for the campus will take longer than originally anticipated, adding additional time and expense.
- Infrastructure Replacement – During our review, we discovered that the campus's infrastructure is incomplete and obsolete and may require \$30M of public subsidies.

Since the City's selection committee unanimously selected Team Midtown as the Master Developer on May 4, 2020, and despite the provisions requiring the Parties to act in good faith to amend the ENA for COVID, the complications and uncertainty caused by COVID and the government ordered shut-downs have created greater risk and cost to this redevelopment that neither Party could have fully anticipated. Given the challenges, extended time, and risks outlined above, KDC Cienda respectfully suggests that the City and the Master Developer do not amend the ENA but instead mutually terminate our ENA Agreement.



Team Midtown and our individual partners are committed to working with the City of Santa Fe and the surrounding neighborhoods to ensure that a Midtown redevelopment will happen and the transition to the next phase of the Midtown redevelopment is smooth and productive for all. Thank you for selecting KDC Cienda as the Master Developer finalist. Team Midtown collectively and individually are standing by to work with the City and help manage these issues as you would like.

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