

# Economic & Rural Development Committee

June 12, 2018

Matt Geisel, Cabinet Secretary

Mark Roper, Community, Business & Rural  
Development Team Lead

# Agenda/Topic

- Overview
- Economic Development Toolbox – “And” & “Both”
- Looking Ahead – Consistency, Predictability & Continuity
- Economic Development Activity & Efforts in Rural New Mexico

# Overview & Rewind: Building a Better Business Climate

- Under Governor Martinez's leadership, over the last 7+ years, we have demonstrated a steady commitment to building a better business climate in New Mexico.
- Big and Small Actions
  - Unemployment Insurance Fix
  - Worker's Comp Insurance Fix
  - NTTC Fix
  - Corporate HQ SSF Methodology
  - CIT Rate Reduction to 4.9%
  - Reduced Fees and Taxes 57 times
- \$50M LEDA/Job Creation Closing Fund
- JTIP funding to all-time high
- New tools to support entrepreneurship:
  - Innovation Vouchers
  - SBIR Matching Grants
  - \$40M Catalyst Fund for VC Investing in NM Start-ups
  - Angel Investment Tax Credit Expanded
  - CEP/Credit Enhancement Program

# Gaining Traction in the Long Game of ED

- Economic Development is a long game and we are seeing results:
  - 2010YE Unemployment was 8.1%
  - March 2018 Unemployment came in at 5.6%
    - With flat to minimal job growth in O&G and Government sectors
- Across all our diverse programs, NMEDD has assisted in the creation of over 15,000 jobs since 2011 during the Martinez Administration.
- This has come in the face of three economic headwinds and a headcount erosion/reduction at one of the largest private sector employers.

# The ED Toolbox – “And” & “Both”

# The ED Toolbox, Our Programs....

- Drive Incrementalism on the margin:
  - Mt. Taylor Manufacturing - 5 jobs in BernCo and jobs retained in Milan
  - Drylands Brewing Company - 10 jobs in downtown Lovington
  - Jack's Plastic Welding 2 jobs in Aztec
- Make Bumps and Jumps
  - CareNet for 244 Jobs (and there is an important biz climate story here, too)
  - 2NDGEAR for 100 jobs
  - Keter Plastic – 170 jobs in Belen
- Propel Big Leaps and Tectonic Shifts:
  - Lowe's, Safelite coming in to employ ~1000 when the unemployed count was 25-30K
  - Fidelity (1300) and SW Cheese (400) with steady climbs to major employment
  - Facebook making an impact in construction jobs and GRT revenues that is having a transformative impact on the region as the first player in a new potential industry cluster

# Helping Companies Grow & Expand

- Since 2011, 68% of JTIP companies and 57% of LEDA companies have been homegrown New Mexico firms.
- Over the same period, 75% of JTIP appropriations and 40% of LEDA appropriations have assisted in the expansion of businesses already located in New Mexico.



# A Sampling of JTIP Companies

**Raytheon Diné**  
World-Leading Defense Manufacturer  
80 Jobs

**UbiQD**  
Quantum Dot Technology (LANL Spinout)  
16 Jobs

**NICOR**  
LED Lighting Products Manufacturer  
37 Jobs

**RiskSense**  
Cyber Security Technology (NM Tech Spinout)  
111 Jobs

**Vitality Works**  
Vitamin & Supplement Manufacturer  
76 Jobs

**St. Claire's Organics**  
Organic Candy/Herbal Supplements  
8 Jobs

**Compass Components**  
Electromechanical Manufacturing  
120 Incumbent Workers Trained

**Stubbs Engineering**  
Structural Engineering Firm  
2 Jobs

**Plenish**  
Organic/High-end Cosmetic Products  
23 Jobs

**Old Wood**  
High-end Flooring Manufacturer  
24 Jobs

**Descartes Labs**  
Artificial Intelligence Software (LANL Spinout)  
18 Jobs

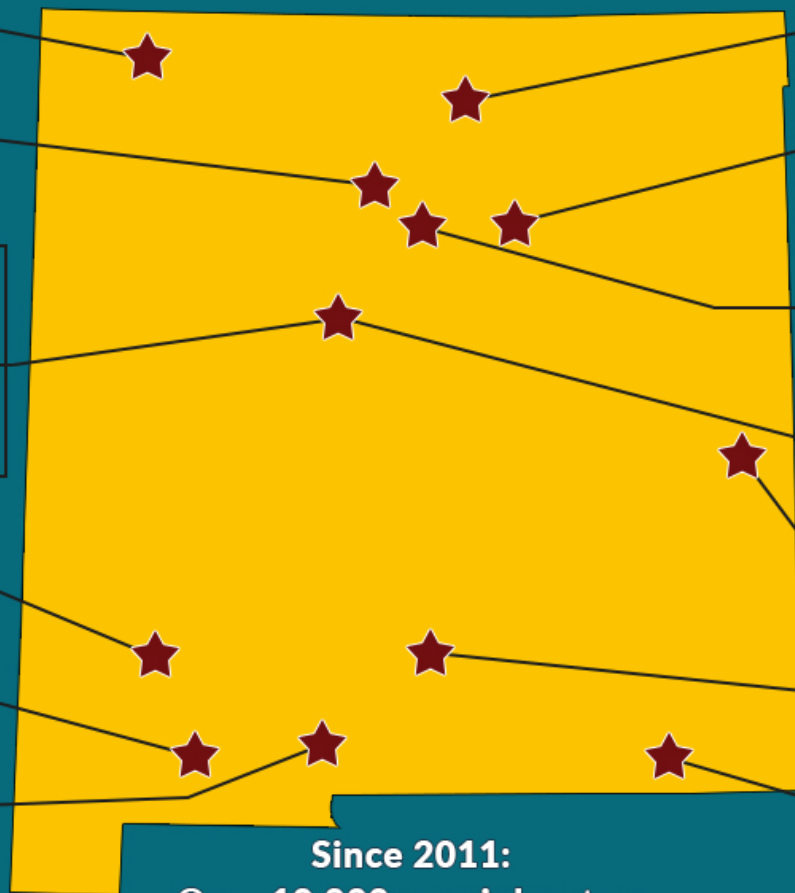
**Meow Wolf**  
Interactive Art Manufacturer  
140 Jobs

**Fidelity Employer Services**  
Administration of Insurance & Pension Funds  
910 Jobs

**Ready Roast Nut Company**  
Roasted Nuts Manufacturer  
65 Jobs

**NM Solar Group**  
Solar Panel Installation  
9 Jobs

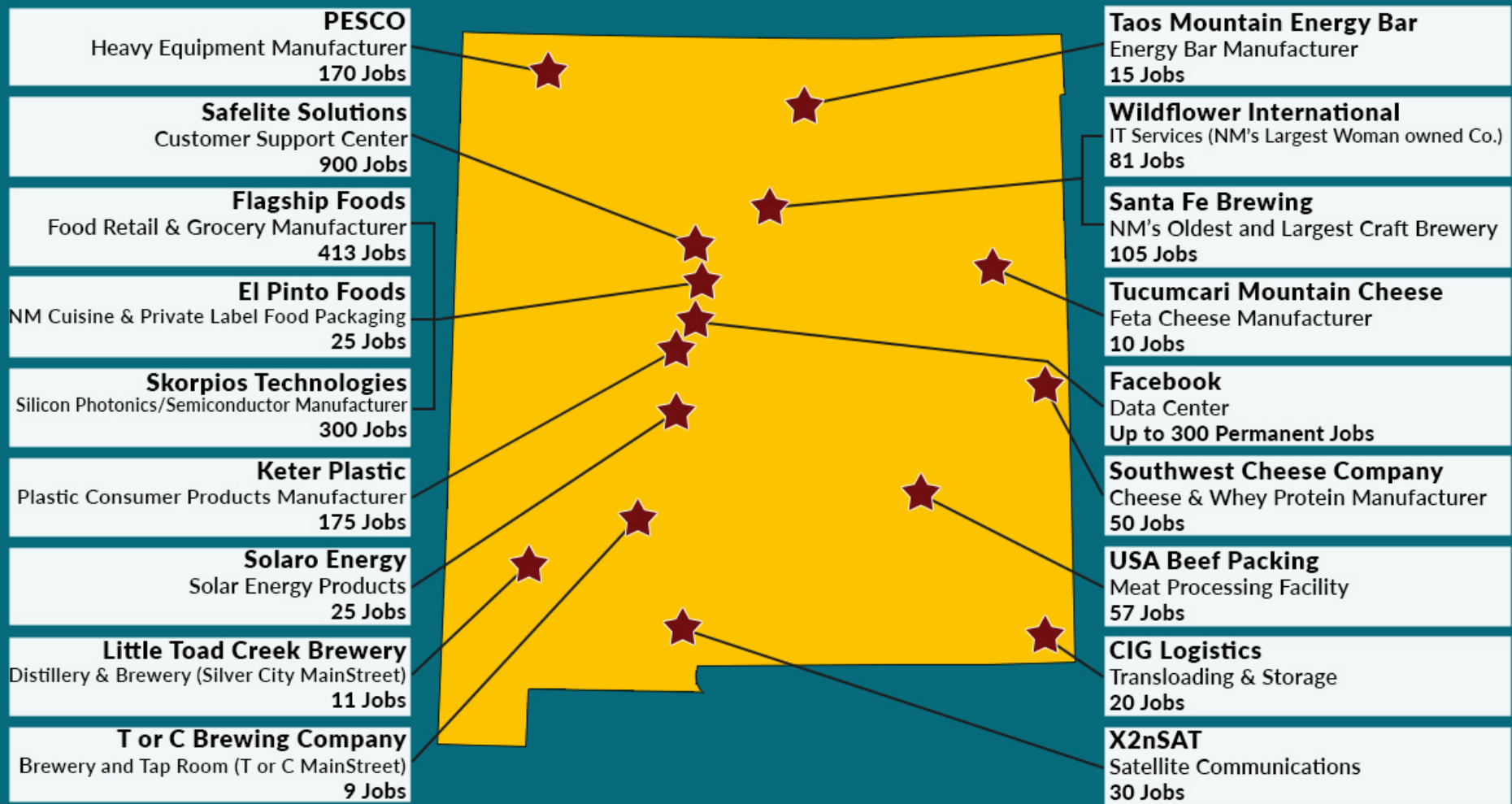
**Sendero Midstream Partners**  
Cryogenic Gas Processing  
8 Jobs



**Since 2011:**  
Over 10,000 new jobs at an average wage of \$18.30/hour.  
216 companies assisted.



# A Sampling of LEDA Companies



# Accountability, Compliance, Protecting Taxpayer's Dollars

## LEDA

- Due Diligence:
  - Finance analysis of company including a credit check
  - ROI/Economic impact calculated
- Security instrument/collateral in the event of a clawback scenario
- Public process with fiscal agent
- Job reporting (Quarterly)
- Annual performance review
- Post-project close-out EIA
- Phased pay-outs at performance milestones
- Two reviews of qualified expenditures before disbursement

## JTIP

- For FY17, JTIP increased minimum wage entry levels in urban areas from a low of \$9.00 to \$11.00 and for rural areas, from \$8.00 to \$9.50.
- For 3<sup>rd</sup> party BPO customer care centers, the wage went from \$11.22 to \$12.50.
- Added an intern program to encourage hiring college students
- Job creation in a federally designated colonias may be eligible for 75% wage reimbursement
- Compliance and protection measures:
  - Post performance audit and payment
  - Must be compliant with CRS-1 and UI reporting
  - Annual retention analysis through DWS

# Looking Ahead – Consistency, Predictability & Continuity



# The Importance of Consistency, Predictability, Continuity

- Not just an ED Toolbox for recruitment but even more so for economic growth, health, investment, vibrancy....
- And on the tax front... Tax reform has the potential to impact every business in the state.
  - CIT rate reduction benefited companies of all sizes across the state
  - And this is particularly the case with B2B Pyramiding:
    - During the recession, some companies sought out growth opportunities elsewhere and they are now multi-state companies. And they can allocate resources and job functions into the optimal spot.
    - Companies only located in NM are punished the hardest. They have no options or means to escape it.
    - Example: Company in SE NM with operations in NM and TX can choose what to do in each state. The attorney, the professional services etc. is 7-8% cheaper in TX.

→ A Body in Motion Stays in Motion

# Economic Development Activity & Efforts in Rural New Mexico

# Community, Business & Rural Development Team

Bring community projects to FUNDIT

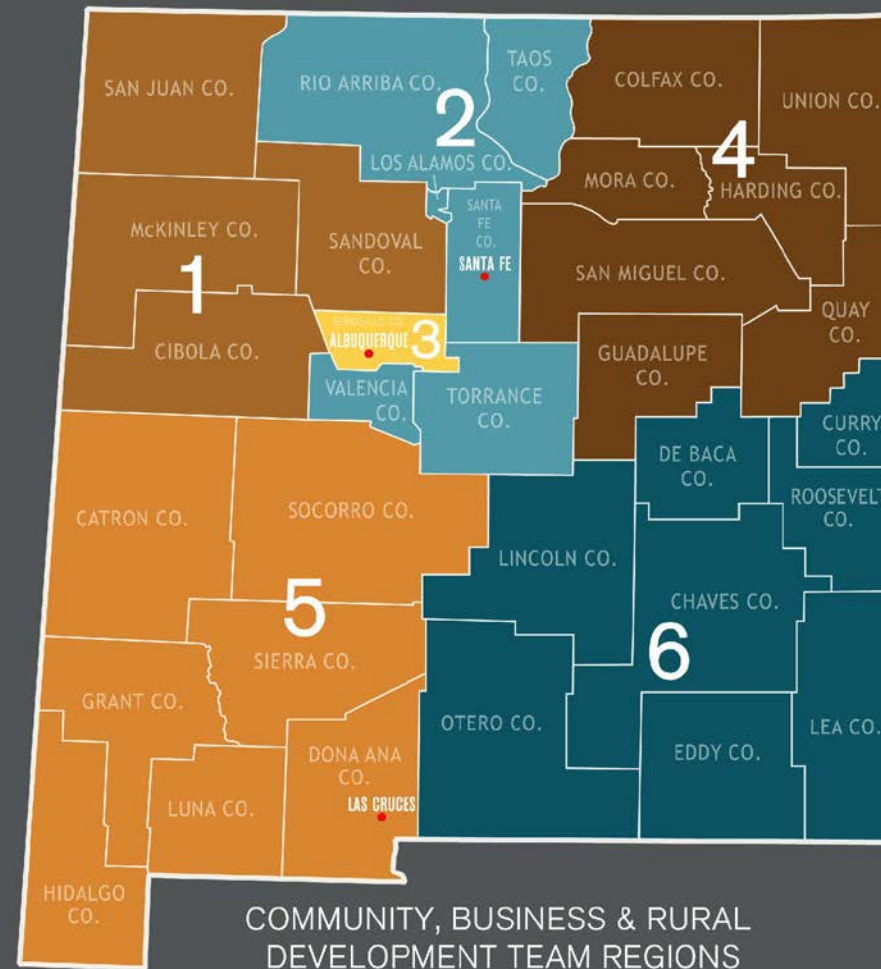
Assist communities in passing & using LEDA

Help NM businesses access NMEDD programs through BRE visits

Provide technical assistance in responding to Potential Recruitment Opportunities

Administer the Rural ED Council

Provide access to rural finance development services & programs



Region 1: Fred Shepherd  
Bernalillo Office  
(505) 490-7966  
Fred.Shepherd@state.nm.us

Region 2: Peter Mitchell  
505-827-2199  
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Region 3: Mark Roper, Team Leader, Tribal Liaison  
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Mark.Roper@state.nm.us

Region 4: Tim Hagaman  
Mora Office  
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Tim.Hagaman@state.nm.us

Region 5: Christine Logan  
Las Cruces Office  
(575) 373-5602  
Christine.Logan@state.nm.us

Region 6: Susie Russell  
575-626-6653  
SusanI.Russell@state.nm.us

# The 3 As of Business, Retention & Expansion

## *A Core Activity of the NMEDD in the Field*

- Accelerate: Identify companies that are primed for growth and help them reach their goals more quickly with the right tools
- Augment: Assist the company stretch, augment the expansion for incremental effect
- Anchor: Identify companies and what they need to succeed
  - When the company is doing well, they may begin to be courted by other states
  - Identify them early and help them become the anchor tenant in the community that you point to as success

# LEADS & Solo Worker Programs

LEADS project types = Attraction, BRE, Workforce Development, Tech & Entrepreneur, Startup, & Real Estate

- Anton Chico EDC - \$3,000
- Carlsbad DOD - \$15,000
- Cibola Communities EDF - \$9,000
- Clovis IDC - \$15,000
- Deming Luna County EDC - \$5,000
- Four Corners ED - \$7,000
- Greater Gallup EDC - \$15,000
- Grow Raton - \$15,000
- City of Las Cruces - \$6,100
- Lea County EDC - \$15,000

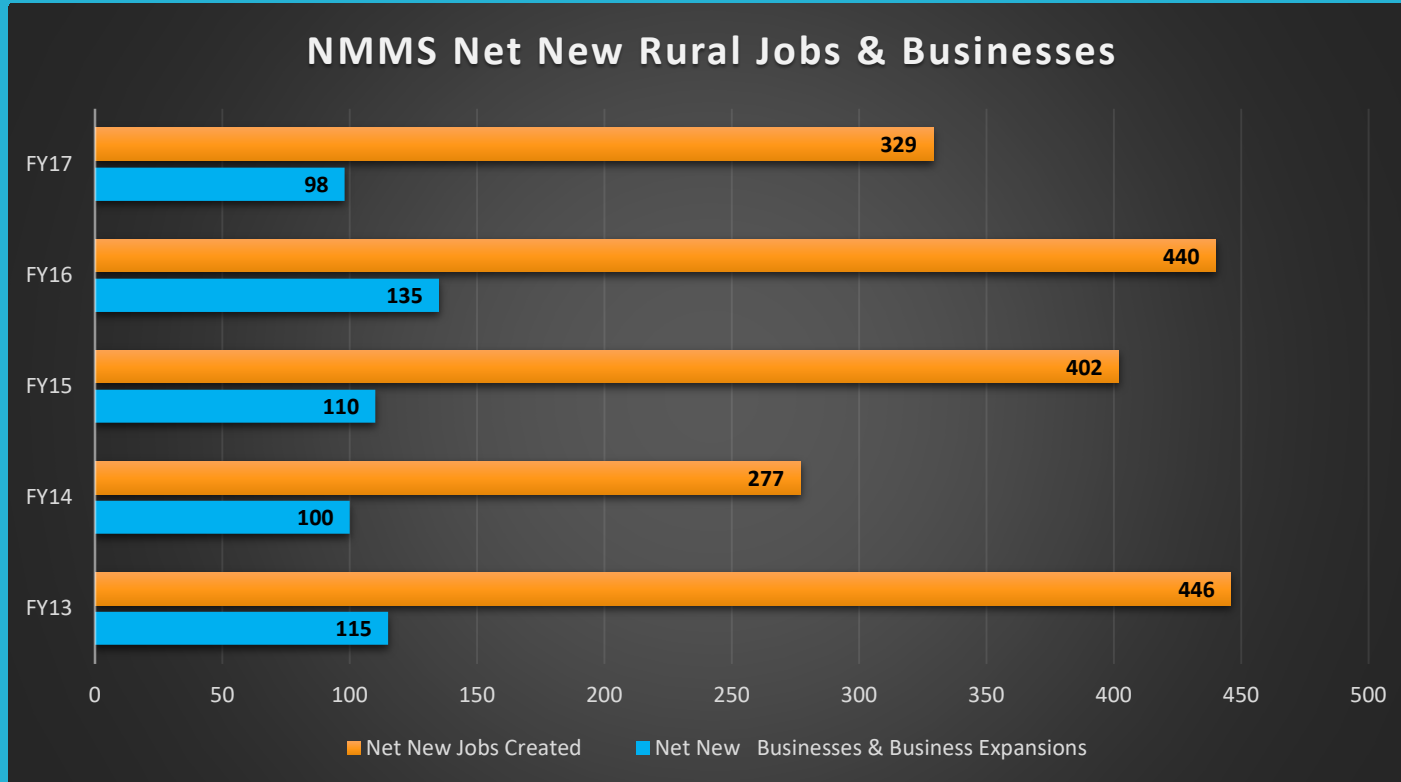
- Los Lunas - \$6,000
- Lovington EDC - \$10,000
- MVEDA - \$15,000
- Mora County EDC - \$6,750
- Otero County EDC - \$6,000
- Santa Fe County - \$8,000

Solo Worker Program recipients are awarded on a post-performance outcome basis.

- Cibola Communities EDF - \$38,500
- Grow Raton - \$21,000
- Sandoval County - \$7,000



# MainStreet Rural Community Impact



## FY 19 MainStreet Accelerator Start Up Communities

- Taos Historic Plaza Accelerator
- Santa Rosa Downtown Accelerator



# MainStreet Arts & Cultural Districts

- New Districts and Compounds
- Carlsbad Arts, Culture and Creative District
- Corrales Cultural Scenic Byway Corridor and San Ysidro Cultural Compound
- Farmington Arts & Cultural District
- *Current ACD and ACC: Artesia, Downtown Albuquerque, Las Vegas, Los Alamos, Mora, Raton, Silver City*



# MainStreet Frontier and Tribal Initiatives

New FY19 Communities

Cimarron – Landscape design & planning assistance for the Santa Fe Trail Scenic By-Way Project

Conchas Dam – Develop a design concept & rehab plan for the Historic Conchas Lodge

Rodeo – Architectural & design assistance to support the preservation & restoration of a historic adobe building

Taos Pueblo – Creation of a business hub at the Red Willow Center with open air market & demonstration area



# Finance Development Team

## Rural Efficient Business Program

A series of training workshops & customized energy assessments in rural locations in each region of the state.

- Limited to rural businesses & ag producers
- Decrease energy bills & increase your bottom line
- Focus on renewable energy

## Credit Enhancement Program

NMEDD can pledge cash to cover a collateral shortfall of a loan in order to enable financing for a small business.

Preference for rural businesses, minority- & veteran-owned; job creation, generate income from outside of the state.

Enrolled Banks:

Main Bank

Century Bank

Lea County State Bank

Western Bank

Lift Fund NM

Pioneer Bank

Finance Development Tools Training Webinars on [GoNM.biz](https://www.GoNM.biz)

# USA Beef Packing

- 57 new jobs in Roswell
- Private investment of \$5.4M
- LEDA investment of \$400,000
- Fills a service gap in Southeast New Mexico
  - Lower transportation costs for local cattle growers & dairies



# Raytheon Diné

- Located on NAPI, on the Navajo Nation for more than 25 years
- The Diné Facility provides parts that support 12 missile programs
- Expanded in 2017 with a new 30,000 SF warehouse, a \$5M investment by the Navajo Nation, leasing the facility to Raytheon
- State LEDA award of \$200,000 in 2014 supported architectural design of the new building
- 350 employees + 80 new jobs supported by JTIP (\$563,746.80)
- Workforce is 93% Navajo

*“Our NAPI facility has delivered exceptional production and safety metrics, making it the ideal location for us to expand our high-rate production capability.”*

Louise Francesconi, President, Raytheon Missile Systems



# Sendero Midstream Partners LP

- Sendero Carlsbad Gas Processing Plant began operating in December 2017
- \$120M investment
- 15 employees at an average wage of \$47.81
- JTIP commitment of \$406,020.40 for 12 positions
- First of five processing plants in New Mexico
  - Additional investment of \$750M
  - 150 construction workers employed



# Southwest Cheese

- Expanded to New Mexico in 2006
- Uses 180 dairy suppliers in Texas & New Mexico
- Over 400 jobs at the plant
- Average compensation is > \$20/hour
- Several expansions since 2006
- LEDA investment in 2016 of \$350,000
- Received JTIP 6X for 289 jobs (\$1,824,491)





# T or C Brewing Company

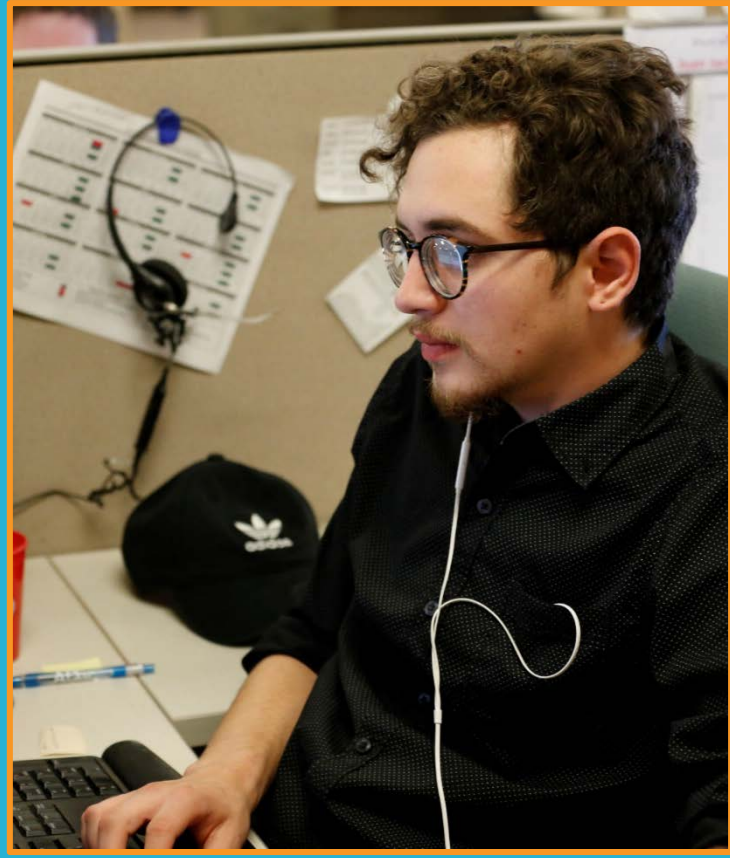
- Craft brewery in downtown T or C
- 9 new production jobs
- New food truck adjacent to brewery
- Home sales have increased in the last year
- LEDA investment of \$125,000



# PreCheck

PreCheck located in Alamogordo in 2006. The company primarily provides back ground screening, credentialing and program integrity for the healthcare industry.

- LEDA investment of \$75,000 for 2014 expansion of 40 jobs
- FY18 LEDA investment of \$100,000 for 30 jobs
- Received JTIP 8X for 276 jobs (\$1,630,513)



*“The State of New Mexico has been a great place for PreCheck to operate. New Mexico has a hardworking and talented workforce, accessible government leaders, low risk for natural disasters and now has an even more competitive business climate that allows us to reinvest in our employees and in growing our business.”*  
Zach Daigle, COO

# Tucumcari Mountain Cheese Factory

Started in Tucumcari in 1995

Produces 20,000 lbs. of Feta daily

Other cheeses include Ricotta, Cheddar, Monterey Jack, Edam, Gouda, Asiago, Romano & Asadaro

Expansion included new 30,000 SF warehouse with coolers, packing & distribution

Eventually increase Feta production to 60,000 lbs. daily

Ten new jobs

State LEDA investment of \$200,000

City of Tucumcari LEDA - \$141,830



# Compass Components

- Compass Components manufactures wiring harnesses for a variety of industries in Deming.
- The company has enjoyed steady growth supported by JTIP, which the company has accessed 9X since 2007:
  - 2007, \$148,411: 38 Jobs
  - 2008, \$79,807: 17 Jobs
  - 2009, \$54,756: 17 Jobs
  - 2013, \$76,937: 8 Jobs
  - 2014, \$114,082: 24 Jobs
  - 2015, \$42,956: Step-Up Training for 48
  - 2016, \$42,520: 20 Jobs
  - 2016, \$77,639: 18 Jobs



*“JTIP has been with us from the moment we settled in New Mexico. It is critical to job growth in areas where the workforce is shifting from industries with low skill requirements to advanced manufacturing.”*

# Wholesome Valley Farms

- Renovate an abandoned egg facility, convert to seed drying warehouses & green houses
- Private investment of \$12M
- 90 full-time jobs in a colonia, Berino
- \$33M economic impact over 10 years
- Remediation of high nitrate levels on water table (chickens)
- LEDA investment of \$620,000



# Supplemental

# FY19 NMEDD Budget

Executive Recommendation	2018 Legislative Funding	Impact
\$10 Million for LEDA	\$5 Million for LEDA	Our LEDA fund balance won't cover the project pipeline
\$12 Million for JTIP	\$9 Million for JTIP	JTIP won't create 500 jobs across the State
\$350,000 to restore MainStreet's budget to FY16 levels	\$200,000 for MainStreet's Budget	MainStreet will serve fewer Arts & Cultural Districts, Frontier and MainStreet Communities
\$1 Million for \$14 Million backlog of construction ready MainStreet projects	\$500,000 for MainStreet's Projects	MainStreet doesn't have enough to fund the growing backlog of shovel ready projects
\$200,000 for International Trade to backfill an expired federal grant	\$150,000 for International Trade & Exports	International Trade will have a diminished ability to help New Mexico companies grow abroad and attract FDI to the state

# JTIP and LEDA Fund Balances

- JTIP
  - Wrapping up FY18 with disencumbrances
  - FY19 funded at \$9M (Film \$1M)
  - Current backlog:
    - Short-term: \$2.5M
    - Long-term: \$6.4M
- LEDA
  - \$43.4M
  - Pipeline >\$100M





# JTIP Budget Report as of June 12, 2018

Cash Balance (FY18 budgeted funds less FY18 expenditures)	\$15M
JTIP Current Obligations	-\$15M
Unobligated Balance	0
FY19 Special Appropriation	\$5M
FY19 Recurring Appropriation	\$4M
Unobligated Balance for FY19	\$9M

# What is an Economic Base Job or Business?

Economic Base Jobs and Businesses are manufacturers and companies that provide services that are non-retail in nature and export at least 50% of the services to a customer base outside New Mexico. These jobs are considered the “base” of the state and local economies and provide the jobs that support retail workers.

Retail Jobs or Non-economic base businesses circulate the same dollars around the region and bring no outside monies to the community.