

EDD

ECONOMIC DEVELOPMENT DEPARTMENT

Local Economic Development Act (LEDA) Overview

Presented to the
Investments & Pensions Oversight Committee

August 18, 2023

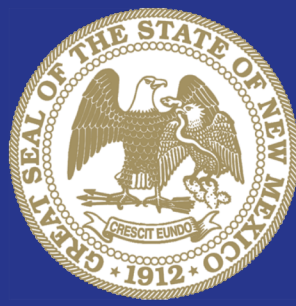
Mark Roper, Division Director, Economic Development Division

EDD Overview



The mission of the New Mexico Economic Development Department is to *Improve the lives of New Mexico families by increasing economic opportunities and providing a place for businesses to thrive.*

- Economic Development Division
 - JTIP
 - Community, Business, & Rural Development Team (Regional Reps)
 - MainStreet
 - Office of International Trade
 - Office of Science and Technology
 - **LEDA**
- Film
- Office of Military Base Planning
- Spaceport Authority
- Border Authority



EDD

ECONOMIC DEVELOPMENT DEPARTMENT

Local Economic Development Act (LEDA)

- **What** is LEDA?
- **How** Does it Work?
- What is the **Process**?
- What is the **Benefit**?

What is LEDA?

- LEDA is the **Investment** of public monies into a private company to offset costs associated with land, building and infrastructure
- LEDA is an exception to Article 9 Section 14 of the New Mexico Constitution allowing such investments for the **purpose of economic development** and job creation
- LEDA requires that there is sufficient economic impact (**return on investment**, or ROI) to offset the public investment
- LEDA **requires security** (collateral) equal to the amount of the grant award for the purpose of securing clawbacks

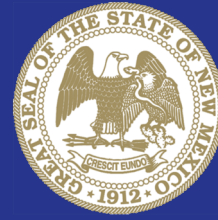
How Does LEDA Work?

- LEDA is a discretionary incentive, the amount of investment is at the discretion of the **Executive (Governor)**
- LEDA is sometimes described as the **deal closing fund**
 - LEDA allows for public monies to be used to reimburse a company for expenses such as land, building and infrastructure (nothing that can be moved out of NM)
- All LEDA projects require a **Project Participation Agreement** (contract)
 - Made between the public entity and the company outlining the company's investment, job creation, capital investment and public investment
 - Including how clawbacks may be applied
- LEDA may only be used for qualified companies in **an economic base sector**

What is the Process?

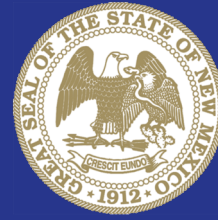
- LEDA **project leads** come from a variety of sources: the New Mexico Partnership, local economic development organizations, EDD's Regional Rep Team, direct contact with the Governor, Cabinet Secretary, etc.
- EDD determines if the project meets **LEDA eligibility requirements**, regardless of the source
- EDD **meets with the company** to discuss the project requirements, the scope and the desired location considerations
- The next steps are unique to each project:
 - Assistance with **potential sites**
 - Determining which **incentives** may or may not apply to the project

What is the Process?(continued)



- The EDD team works with the company to **assemble the data** associated with the project
 - **Total capital investment** in land, building, infrastructure, equipment and other costs
 - Job creation, payroll, job types and wages
- Sources and uses of where the funding is coming from for the project and how it will be invested
- Company's corporate **structure and costs** associated with utilities, local spend and visitors on an annual basis

What is the Process?(continued)



- The data is used to complete a **comprehensive incentive analysis** to determine the potential use of all state incentives
 - JTIP, High Wage Tax Credit, Rural Jobs Tax Credit, R & D Tax Credit, Industrial Revenue Bonds (IRBs)
- The data is also used to determine the **total economic impact** of the proposed project over the next ten (10) years, as well as the fiscal impact to the state, city, county, schools, and other special taxing districts
- EDD considers the amount of the public investment *from a **statutory perspective*** compared to the **fiscal impact** of the project which includes the total capital investment, quality of the jobs (wages in excess of average wages in the region) and the quantity of the jobs
 - Then makes a recommendation to the Executive
- **Executive determines** if the LEDA funds will be awarded and the amount

What is the Process?(continued)



- Once the offer for LEDA has been made and the formal application (financial review, due diligence and public process including a public hearing), an **adoption of an ordinance** by the fiscal agent (city or county) takes place
- Encapsulated in the ordinance is the **Project Participation Agreement (PPA)**, the contractual arrangement between the company and the fiscal agent; the **Intergovernmental Agreement (IGA)** showing the movement of state LEDA funds to the fiscal agent, how those funds are to be handled; and the **security agreement** (collateral)
- Upon completion of the public process the LEDA project moves into reimbursement and compliance for the length of the PPA

Singapore-based **Maxeon Solar Technologies** will build a 1.9M SF complex at Mesa del Sol

1st commercial-scale solar cell manufacturer in the US

Construction will begin in early 2024 on a 160-acre site. The facility will include solar cell fabrication, panel assembly, warehouse, R&D lab and offices.

- **1,800** new jobs
- **\$2.4B** private investment
- **\$4B** economic impact over ten years
- **\$18M** LEDA investment
- **\$97.5M** annual payroll



Rural Impact

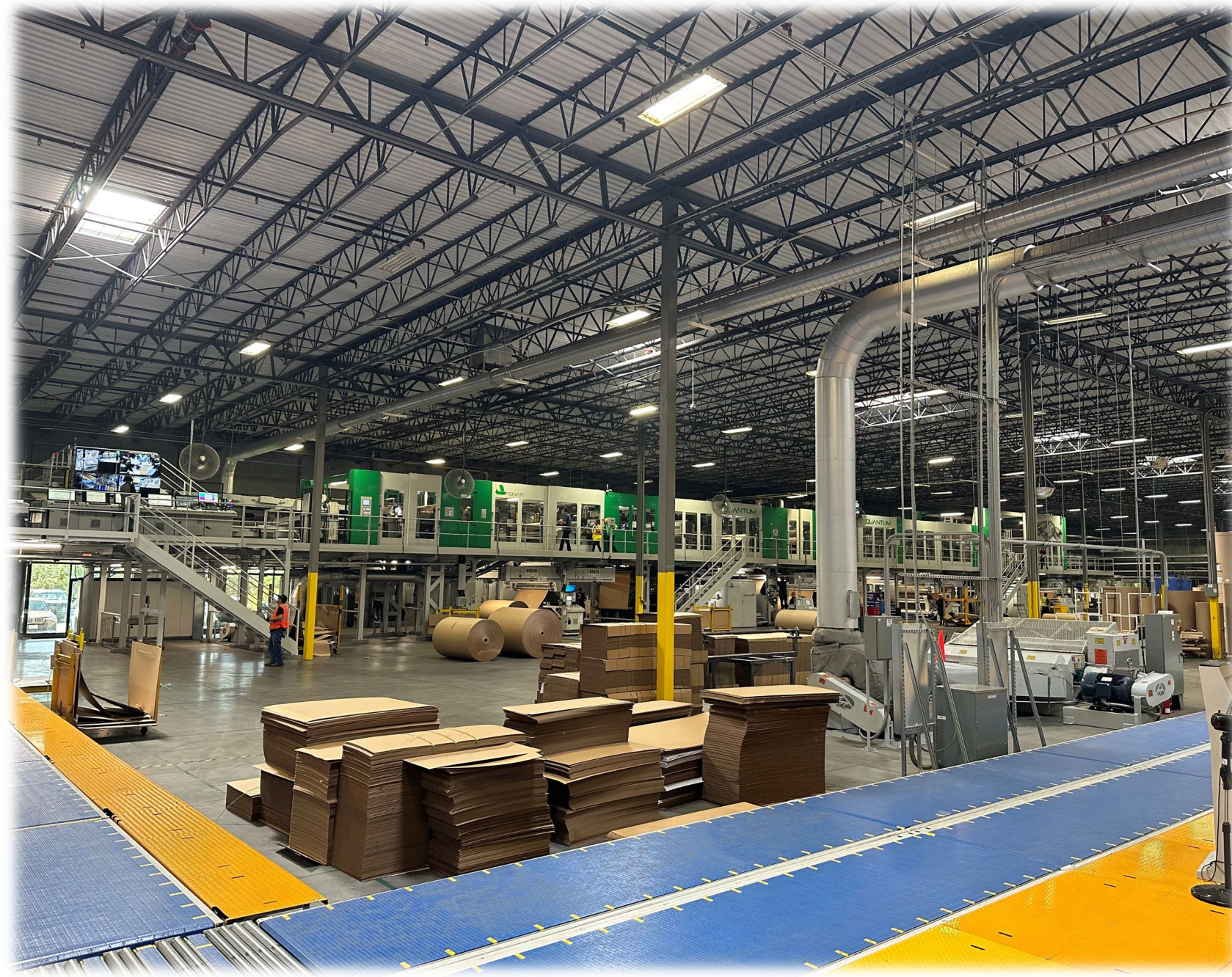
- Arcosa Wind Towers
- Little Toad Creek Brewery & Distillery
- Louisiana Pepper Exchange
- Oro LLC
- Franklin Mountain Packaging
- Geobruigg North America

Arcosa Wind Towers



Dallas-based Arcosa, Inc. will operate a wind-tower production facility in Belen

- **250 new jobs**
- **Average salary = \$50K**
- **Annual payroll = \$12.5M**
- **10-year Economic impact of \$314M**
- **Private investment = \$60M**
- **LEDA investment = \$4M**



Franklin Mountain Packaging

Expanding in Santa Teresa

- **60** new jobs
- Private investment of **\$8.2M**
- Annual payroll = **\$2.1M**
- LEDA investment of **\$500K**

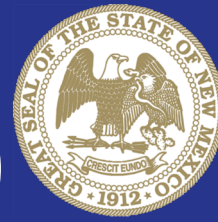
4 Announcements in the
Borderplex since May

What is the Benefit?

Annually the New Mexico Economic Development Department updates the LEDA project data with **actual numbers**

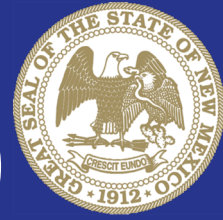
This allows for two things to happen:

1. Determine how the project is moving forward compared to projections
2. Determine the actual return on the investment



What is the Benefit? (continued)

- EDD's analysis determines **both** the ROI on the LEDA investment AND the ROI on all public incentives received by the company
 - The ROI on just LEDA is in excess of 900%, the ROI on all investments is 113%
- LEDA is a **post-performance incentive**
 - The company must pay all costs *up front*, which are then reimbursed by LEDA funds when pre-determined benchmarks are met



What is the Benefit? (continued)

Examples

- Urban project over 6 years
- \$125,000 LEDA investment
- Total public fiscal impact \$943,290
- ROI 655%
- Rural project 5 years
- \$75,000 LEDA investment
- \$26,920 in other incentives
- Total public fiscal impact \$223,555
- ROI 119%



What is the Benefit? (continued)

Examples

- Urban project over 5 years
- \$150,000 LEDA investment
- \$516,696 in other incentives
- Total public fiscal impact \$4,534,962
- ROI 580%
- Urban project over 4 years
- \$2,000,000 LEDA investment
- \$693,420 in other incentives
- Total public fiscal impact \$3,098,577
- ROI 15%



Questions?