

FOSTERING ECONOMIC GROWTH & DIVERSIFICATION



Economic and Rural Development Interim Legislative
Committee

Deputy Secretary Barbara Brazil

June 15, 2017

WHAT IS ECONOMIC DEVELOPMENT?

- Job Creation
- Wealth Creation
- Increased Tax Revenues & Tax Base

HOW IS IT ACCOMPLISHED?



Recruitment
Expansions
Start-ups



- Competitive Tax & Regulatory Policy
- Available Buildings & Land
- Skilled Workforce



RECRUITING NEW BUSINESS IS A HIGHLY COMPETITIVE GAME

At right are the largest economic development incentive deals in the first quarter of 2017 – the overall average award per job was \$30,175

- Related Companies, NYC, \$177M
- Conner Strong & Buckelew, Camden, NJ, \$86.2M
- The Michaels Organization, Camden, \$79.3M
- NFI, Camden, \$79.3M
- Creative Planning, Overland Park, KS, \$44.75M
- Amazon, Hebron, KY, \$40M
- Wakefern Food Corp., Perth Amboy, NJ, \$39.27M
- NBTY, NYC, \$35M
- Project Copper, Colorado, \$34.4M
- Saab Defense & Security, East Syracuse, NY, \$30M

JTIP & LEDA ALLOW US TO COMPETE AGAINST **BIG STATES**

COMPANY	COMPETING STATE
Keter Plastics	Arizona & Nevada
Facebook	Utah
Safelite Solutions	Texas
PCM	Illinois & Quebec
Federal Express Ground	Texas
DHF Technical Products	California
CN Wire	Texas & California
Niagara Bottling	Utah & Colorado
Aircraft Technical Support	Florida

KETER PLASTICS, BELEN

- This rural relocation story began eight years ago
- Then the finalists were California, Arizona and Nevada
- Fast forward to 2016: NM beat that competition due to our improved business climate
- Keter will invest \$36 million to renovate the Solo Cup idle factory and add additional space plus hire 175 New Mexicans.
- Using Belen's existing rail spur, Keter will take in 60-100 tons of raw materials each day to produce 10-15 truckloads of patio furniture, outdoor sheds for shipment to national chains such as Home Depot and others. MADE IN THE USA

FACEBOOK ECONOMIC IMPACT

- Construction Impact is Huge & Immediate
 - Facebook would employ 104 direct workers for a payroll of \$9.6M
 - Upwards of 1000 construction workers are expected to be actively working on-site by 2017YE
 - International Brotherhood of Electrical Workers (IBEW) Local 611 announced that it's looking for 200 to 350 journeymen licensed electricians to work on the data center.
 - At full build out of the project (6 buildings), the city is expected to generate a positive **recurring net fiscal impact of \$2,171,778 annually.**
 - 12.5% increase in the Village general fund
- New Mexico Subcontractors
 - Western States Fire Protection
 - Kone Elevators and Escalators
 - Safety Counselling Inc.
 - Huitt-Zollars, Albuquerque Elevators & Escalators
 - Terracon, Inc.
 - Affordable Solar
 - 814 Solutions

WHOLESOME VALLEY FOODS

- Wholesome Valley Farms will invest \$12M over 5 years to repurpose the abandoned egg processing plant in Berino, creating hydroponic greenhouses, seed drying rooms, and cotton seed milling.
- 90 permanent jobs will be created over the next 5 years, and up to 90 seasonal jobs every year for traditional farming operations.
- First economic base employer to move into Berino since the 1970s.
- \$180,000 LEDA and 32 jobs in the 1st phase; \$620,000 LEDA and 90 jobs over 5 years based on 1st phase performance

OUR PROGRAMS WORK FOR ALL 16,000 NEW JOBS ASSISTED SINCE 2011

- Job Training Incentive Program
- Community, Business & Rural Development Team
- MainStreet
- Arts & Cultural Districts
- Historic Theaters Initiative
- Frontier Communities
- State Data Center
- Incubators
- International Trade
- Finance Development
 - LEDA
 - New Markets Tax Credits
 - FUNDIT
- Office of Science & Technology
 - Technology Research Collaborative
 - Catalyst Fund
 - Defense Industry Diversification Program

JTIP BUILDS THE WORKFORCE

Thus far this year –

- 2,009 workers trained; 413 rural
- 57 companies assisted
- Average wage of \$17.92
- 51% Manufacturing

Retention Data (One Year Out)

- 89% still employed in NM
- 82% increased their average wage
- 73% were still with business
- 61% increased their wages > 10%
 - Rural ave. wage = \$21.04
 - Urban ave. wage = \$17.45

- For FY 17, JTIP Board increased entry level minimum wage requirements for urban areas from \$9.00 to \$11.00 & rural areas from \$8.00 to \$9.50
- Added an intern program to encourage hiring college students
- Job creation in a federally designated colonias may be eligible for 75% wage reimbursement
- New 1 day residency rule for high wage jobs
- Compliance and Protection Measures
 - Post-performance audit and payment
 - Must be compliant with CRS-1 and UI reporting

Source: Department of Workforce Solutions Analysis.
FY15 Analysis for FY14 Trainees.

SOLO WORKER PROGRAM

- Funding appropriated to the Department for FY18
- Carved out of the JTIP appropriation
- Will be budgeted separately in order to operate
- Deploy the program based on the Solo Worker statute established in 2016
- A Solo Worker is a person who is engaged in full-time employment and whose employer, if any, does not supply the office space or amenities used to perform the person's work.
- The purpose of the Solo Worker Program is to improve the state's rural and urban economies by creating and sustaining economic-base jobs and expanding businesses owned and operated by solo workers engaged in economic-base jobs.
- Five rural pilot communities this year.

LEDA BUILDS THE BUSINESS INFRASTRUCTURE

Uses Include Land, Building, Utility Infrastructure

- PreCheck – Otero County
- Preferred Produce – Luna County
- MCS Industries – Santa Teresa
- Solaro Energy – Socorro
- Ready Roast – Portales
- Skorprios Technologies – Albuquerque
- Southwest Cheese – Clovis
- Ideum – Corrales
- Safelite Solutions – Rio Rancho
- Facebook - Los Lunas
- Wildflower International – Santa Fe
- Keter – Belen
- PCM – Rio Rancho
- Due Diligence:
 - Financial Analysis of Company
 - ROI/Economic Impact
- Security Instrument/Collateral in the event of a claw-back scenario
- Public Process with Fiscal Agent
 - Most have 2, if not more, hearings
- Job Reporting (Quarterly/Semester)
- Annual Performance Review
- Post-project close-out EIA
- Phased Pay-outs at Milestones
- Two Reviews of Qualified Expenditures before disbursement

EDD SUPPORTS NEW MEXICO COMPANIES

- JTIP supports economic development in New Mexico by reimbursing qualified companies for a significant portion of training costs associated with newly created jobs.
- JTIP Homegrown support
- LEDA funds are used for purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, building or other infrastructure.
- LEDA Homegrown support

Year	# of Companies	Percent
FY14	26	57%
FY15	40	68%
FY16	43	72%
FY17	34	77%

Year	# of Companies	Percent
FY14	5	63%
FY15	14	56%
FY16	12	57%
FY17	8	75%

GROWING OUR OWN

BOTH JTIP & LEDA ASSIST MORE EXISTING BUSINESSES
THAN NEW

- Solaro Energy, Socorro

“Without JTIP we would be unable to hire unskilled workers with no experience. The customized training we developed with JTIP has allowed us to pay higher wages and provide benefits, and keeps Solaro employees safe on the job. I plan to stay in New Mexico forever because it has worked so well for us.”

Ideum, Corrales

JTIP's customized training is perfect for Ideum, a manufacturer of multi-touch tables and walls. It has been exceptionally helpful to a privately-held company like Ideum. JTIP staff introduced the company to the LEDA. Now LEDA is funding an expansion that allows the company to expand its product line and market.

“We work with them closely, they helped to provide the resources we need to expand our product line.”



PLENISH/VAPOUR BEAUTY - TAOS

Plenish continues to use JTIP as it grows

- 2011: 3 new jobs
- 2012: 2 jobs
- 2013: 2 jobs
- 2013: 6 jobs
- 2017: 11 jobs

"JTIP greatly improves retention and success of new trainees. This affords JTIP trainees the opportunities for promotion and higher wages."



DEAN BALDWIN AIRCRAFT PAINTING, ROSWELL

- In 1999 Dean Baldwin located in Roswell and employed 130 New Mexicans
 - This recent expansion will renovate an existing building using \$1M LEDA gap funding and hire 70 additional manufacturing workers
- “This project will enable one of our most important local employers, that has a first-class facility to produce a first-class product...and demonstrates the commitment of Roswell and the State of New Mexico to invest in critical infrastructure that will truly diversify our state economy.”
- Mayor Dennis Kintigh

COMPASS COMPONENTS - DEMING



Compass has used JTIP nine times

- 2007: 38 new jobs
- 2008: 17 jobs
- 2009: 17 jobs
- 2013: 8 jobs
- 2014: 24 jobs
- 2015: step-up – 48 trainees
- 2016: 20 new jobs
- 2017: step-up – 120 trainees

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.

FINANCE DEVELOPMENT TEAM (FDT) FACILITATES BUSINESS START-UP, EXPANSION, RELOCATION AND RETENTION

- FUNDIT
 - To address infrastructure funding
 - Multiple agencies participate to avoid shopping each potential funding agency
 - Streamlines the process of identifying infrastructure projects, especially in rural areas
 - Online upload site with project mapping capabilities – RISTRA
 - Eligible projects: incubators, industrial parks, feasibility studies, comprehensive plans, downtown revitalization
- LEDA
 - Funds are used by a qualified entity for land, building and infrastructure
 - Dollars are transferred through a local government entity who acts as the fiscal agent
- New Markets Tax Credit
 - FDT works with the NMFA to identify economic development projects
 - Allocations are dedicated to urban and rural areas; \$22M dedicated to rural projects

FINANCE DEVELOPMENT TEAM, (FDT) CONT.

- New Program in FY18
- Repurposing Collateral Support Program Funds
- \$13.2 M originally allocated to NM to Create programs that leverage private lending to help finance small businesses and manufacturers
- \$1.7M repurposed in FY 18 for two new initiatives; additional tranches expected
- Small Business Leverage Loan Guarantee Program
 - Funds a collateral gap for otherwise strong businesses.
 - State makes a cash deposit at the financial institution lender to cover a portion of the collateral gap for the loan.
 - Rural/underserved areas; minority populations, veterans

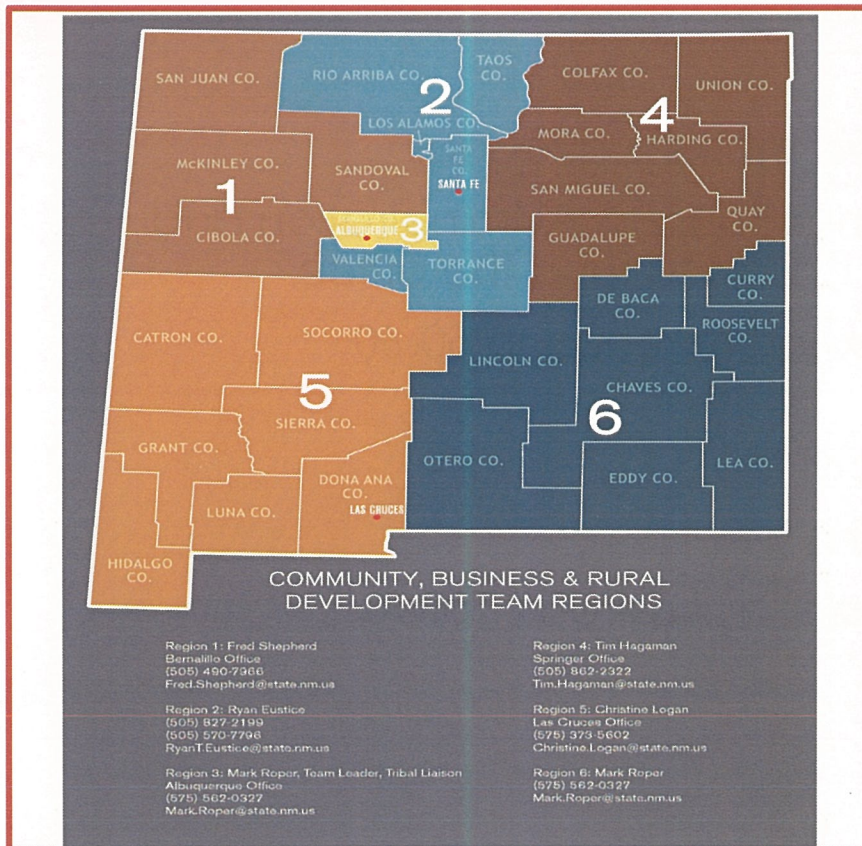
OFFICE OF SCIENCE AND TECHNOLOGY

- Mentoring and support
- Identify funding sources
- Prepare for pitches
- Solve problems
- Address economic development infrastructure gaps
- Access international markets via the STEP Grant
- Innovation Vouchers
 - Capped at \$2500
 - Limited to specific services
 - Must be affiliated with a certified business incubator or similar organization
- Catalyst Fund launched
 - \$20M Fund of Funds
 - Announced first recipient company on May 22nd

OFFICE OF SCIENCE & TECHNOLOGY

- SBIR Matching Gap Fund partnering with FDT
 - Move technology to commercial purpose
 - Pays for disallowed expenditures under the federal guidelines
 - New Mexico will apply proven best practices to create a competitive SBIR matching program.
 - Leverages over 70 SBIR grants awarded annually to NM companies totaling more than \$17M
- Technology Research Collaborative links private sector to R & D at labs and universities
- Defense Industry Diversification Program helps companies avoid the volatility of federal contracting by identifying new business in the private sector

COMMUNITY, BUSINESS & RURAL DEVELOPMENT TEAM



- Assist regional companies access JTIP, LEDA, FUNDIT, LEADS and state incentives
- Conduct business retention & expansion visits
- Help communities pass LEDA ordinance and prepare for economic growth
- Facilitate infrastructure development
- Implement the objectives of EDD's Rural Economic Development Council

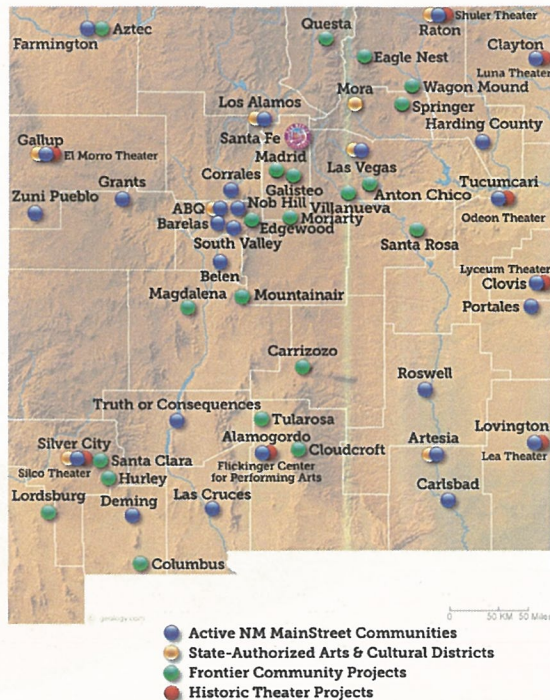
OFFICE OF INTERNATIONAL TRADE

- One person office
- Helps New Mexico companies access new markets overseas
- Annually for the last 4 years applied to Small Business Administration and received approximately \$200K in federal dollars to fund the office
- SBA STEP Grant estimated \$10M in new export revenue to 50-60 participating New Mexico companies
- All current grant funds expended by end of the 3rd Quarter
- New grant cycle application submitted this week.
- Geographies include: Mexico, Brazil, Canada, Australia, Taiwan, Germany, Singapore, among others

MAINSTREET

New Mexico MainStreet Programs, Projects, and Initiatives

(As of July 2016)



- Downtown commercial district revitalization
- Arts & Cultural Districts boost the creative economy
- Historic Theaters Initiative invests in new technologies (digital conversion) to make old movie houses viable again
- Frontier Communities Initiative
- A 2013 study of the MainStreet program's impact found that every \$1 invested by the state has resulted in \$44 in investment by the private sector.
- \$26M in private sector investment this year

THANK YOU

<https://gonm.biz/>