

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR Rainaldi DATE TYPED 3/09/05 HB _____

SHORT TITLE McKinley County Property Transfer SB SJR 16

ANALYST Geisler

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		.01, See narrative		

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

Rehoboth-Red Mesa Foundation (RRMF)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 16 authorizes transfer of real property located in McKinley County near Gallup, New Mexico. The Rehoboth-Red Mesa Foundation transferred the property by warranty deed to the State of New Mexico in 1963 for the State Police headquarters. The property would return to the Rehoboth-Red Mesa Foundation (RRMF) for one dollar.

The Resolution stipulates that the property has no value to the state; that the property contributes negatively to the value of surrounding property; that McKinley County cannot realize property or gross receipts taxes while the property is held by the state; and that the state and the Foundation agree that an amicable settlement is less costly to the taxpayers than court action.

Significant Issues

A new state police headquarters was built in 1999 on land purchased from the RRMF for

Senate Joint Resolution 16 -- Page 2

\$250,000. According to GSD, that negotiation included the RRMF purchasing the old headquarters building (title currently held by GSD) and other improvements for \$255,000, which has not been completed. The RRMF disagrees with the assertion that they had agreed to purchase the headquarters building, noting that copies of the purchase agreement, the settlement statement and the warranty deed for the land sale make no reference to any agreement. RRMF believes they have no obligation to purchase the building and property from the State of New Mexico.

GSD suggests an amendment to allow a property exchange for land adjacent to the new State Police building of value equal to the improvements on the land (the old District 6 State Police headquarters) that will revert to the RRMF. Failure to receive fair compensation for the building located on the property could be a violation of the “anti-donation clause” of the state constitution.

The RRMF provided the following rationale for the return of the property:

1. The state has an obligation, per the warranty deed, to return the property to the donor if it is not being utilized for State Police purposes. The Warranty Deed for the property from the Christian Reformed Church Board of Home Missions in 1963 contains the provision “that the parcel of land hereby conveyed be used for state police purposes only and that no other business or subleasing be permitted.” Since the building is currently not being utilized for State Police purposes, the state has an obligation to return the property to the donor.
2. The RRMF has reason to believe that the understanding among the parties involved in the original transaction was that the property was deeded to the State Police of New Mexico in order to construct a temporary State Police building and that the property would be returned to the board of Home Missions when the site was no longer needed. Furthermore, the RRMF believes that the financial remuneration for the sale was nominal. Thus, the return of the property would allow the State to honor the undocumented understanding that surrounded this sale.
3. The RRMF, as a New Mexico non-profit, and the owner of the adjacent property is in a position to develop the property and bring in jobs and revenue to McKinley County. The deed restrictions as well as the purposes of the organization require it to develop property in ways that are beneficial, not harmful to the community.

FISCAL IMPLICATIONS

The appraised value for the improvements is \$255,000. Senate Joint Resolution 16 results in a gain for RRMF of \$255,000, and a loss to the State of New Mexico of \$255,000. If the joint resolution is amended and the foundation purchases the property from the state, the revenue would accrue to the Property Control Reserve Fund, which can only be used by legislative authorization to acquire new property, thereby reducing recurring lease payment costs in agency operating budgets. Unknown costs to GSD are mandated in the resolution to provide an environmental assessment and fund any identified remediation caused by state police occupancy.

RRMF provides that putting the property back into use will provide property tax revenue and perhaps gross receipt tax revenue to the county.

OTHER SUBSTANTIVE ISSUES

A State Police field office was constructed on this site in the mid-1960s. The building was appraised in 1999 at \$255,000 as part of a transaction with Red Mesa Foundation that involved them selling 3+ acres appraised at \$250,000 to GSD on which to locate the new State Police office in Gallup (authorized in Laws 1998, Chapter 7, Section 10, Subsection E and Chapter 118, Section 14, Subsection O).

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Property will remain on state inventory and unused.

AMENDMENTS

GSD suggests that on page 3, line 22, replace “consideration of one dollar (\$1.00)” with “the appraised value of improvements or an exchange of land with a comparable appraised value”.

GGG/yr