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FISCAL IMPACT REPORT

ORIGINAL DATE 2/27/07

SPONSOR HTPWC LAST UPDATED 3/02/07 HB CS/1266/aHAFC

SHORT TITLE Main Street Revolving Loan Act SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	None		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$0.1*	\$2,000.1**	\$2,000.1	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

*Indeterminate but significant impact for implementation and administration of the bill at the Cultural Affairs Department.

**HAFC struck the appropriation of \$2 million. If the bill passes, the estimated impact for FY09 includes this \$2 million, plus additional administrative expenses.

SOURCES OF INFORMATION

LFC Files

Response Received From

Cultural Affairs Department (DCA)

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee (HAFC) amendment strikes the \$2 million appropriation to the main street revolving loan fund.

Synopsis of Original Bill

The House Transportation and Public Works Committee (HTPWC) substitute for House Bill 1266 would enact the Main Street Revolving Loan Act to provide owner of historic properties with low-cost financial assistance to restore and repair the property. The bill creates the Main Street Revolving Loan Committee, composed of six members, to administer funds in the Main Street Revolving Loan Fund. The committee would make loans and loan subsidies after reviewing recommendations of the Historic Preservation Division (HPD) of the Cultural Affairs Department based on criteria established by the committee. HPD is authorized to contract with one or more lending institutions for “deposits to be used for the purpose of making or subsidizing loans to property owners for the restoration, rehabilitation or repair of eligible properties.”

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2008 shall not revert to the general fund.

Continuing Appropriations language

Section 5 of the bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The committee would be composed of six members: the director of HPD, the coordinator of the Main Street Program, the chair of the cultural properties review committee, the director of the Local Government Division of the Department of Finance and Administration (DFA), a member appointed by the governor with expertise in small loans, and the chair of the board of directors of New Mexico MainStreet Inc.

The committee would establish priorities for ranking applications, including geographic distribution of recipient projects, severity of deterioration of the eligible property, degree of architectural and construction detail in the loan application demonstrating the feasibility of the proposed restoration, rehabilitation or repair of the eligible property and availability of other funding for the project.

Criteria for making loans include, among others, an agreement by the property owner to maintain the eligible property as restored, rehabilitated or repaired for the period specified in the loan but not less than five years; sufficient collateral; meeting an income eligibility requirement; and adequate busing and architectural plans, created with the assistance of a local MainStreet organization or the state MainStreet Program.

This bill would create another mechanism for communities to access capital to improve their historic districts. The bill does not specify a maximum term of the loan or a maximum loan amount.

Currently, the New Mexico MainStreet Program, a division of the National MainStreet Center, is

housed at the Economic Development Department. The program, with an operating budget of about \$850 thousand, provides consulting and other contract services to communities looking to revitalize and improve the economies of their downtowns. Capital outlay funds appropriated by the Legislature for MainStreet projects are awarded by committee through DFA.

According to DCA:

Under this bill projects for rehabilitation, restoration and repair on properties within NM Main Street communities and listed in the State Register of Cultural Properties and National Register of Historic Places may continue to be eligible to participate in other state and federal incentives for rehabilitation. Listed properties (owner occupied residential and commercial income producing) are currently eligible to apply for the state tax credits for rehabilitation administered by the Historic Preservation Division and the Cultural Properties Review Committee. Income producing properties that meet established criteria are eligible to apply for the federal tax credits for rehabilitation administered by the National Park Service and the Historic Preservation Division. Both tax credit programs for rehabilitation have been utilized for preservation in New Mexico for more than 20 years under existing state and federal statutes. Frequently, owners using the existing Historic Preservation Loan Fund participate in the state and federal tax credit programs for rehabilitation, effectively leveraging more resources for preservation and capital improvements in the downtown historic districts and neighborhoods of New Mexico communities.

ADMINISTRATIVE IMPLICATIONS

The bill creates a significant new duty and gives additional responsibility to the Historic Preservation Division, including application review, administration of loans and loan subsidies, and annual reports to the governor and legislature.

DCA notes that HPD will require a percentage of the overall funding for administrative costs.

OTHER SUBSTANTIVE ISSUES

DFA indicates that there is a \$4 million request for Main Street capital outlay projects, doubling the amount funded during the current fiscal year. Coordination of such projects with those considered under HB 1266 would be essential.

BE/nt