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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/06

SPONSOR Griego LAST UPDATED _____ HB _____

SHORT TITLE Corrections Dept. Employee Land Lease SJR 11

ANALYST Peery

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
NA	NA	NA	NA

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received From

New Mexico Corrections Department (NMCD)

No Response Received From

General Services Department (GSD)

SUMMARY

Synopsis of Bill

Senate Joint Resolution 11 calls for the Property Control Division of the General Services Department to be authorized to lease approximately 50 acres of the described property at the Penitentiary of New Mexico in Santa Fe county for a period not exceeding 99 years to a state-controlled nonprofit corporation for the sole purpose of providing housing to Corrections Department and other governmental employees. The joint resolution calls for the lease to be contingent on the completion of a feasibility analysis that shows that the lease and proposed use of the property is in the best interest of the state.

FISCAL IMPLICATIONS

NMCD states there appears to be no direct fiscal impact to the state, Corrections Department or General Services Department. NMCD states it is the lender or bank that would be impacted financially if the homes are built and no one buys or rents them. NMCD states the feasibility study will determine if there are enough Corrections Department and other governmental employees interested in affordable housing on the Penitentiary of New Mexico grounds.

NMCD states it is possible that the housing project will generate a revenue stream for the state in future years, after all the debt on the project is paid off by the non-profit corporation.

SIGNIFICANT ISSUES

NMCD states under the proposed joint resolution, Property Control would lease the land to a non-profit corporation. The corporation would borrow money from a bank or other financial institution to build and manage homes on the Penitentiary of New Mexico grounds. NMCD states the payments made by Corrections Department and other governmental employees who then rent or buy the homes goes to the non-profit corporation to pay off the debt. NMCD states since the land remains state property, the individuals who buy the homes will not earn large amounts of equity that some homeowners earn who own their homes and land. NMCD states the homeowners must sell the homes back to the non-profit corporation if they decide to sell.

NMCD reports the New Mexico Mortgage Finance Authority will provide an entity to construct or build the homes on the Penitentiary of New Mexico grounds, if the feasibility study supports the housing project. Because the non-profit corporation does not have to pay for the land, and because the New Mexico Mortgage Finance Authority and its builder realize significant economies of scale, the Corrections Department would be able to offer housing to its employees and other governmental employees at prices significantly lower than market.

NMCD reports it supports the proposed legislation because it may ultimately provide affordable housing to its staff working at the Penitentiary of New Mexico. NMCD reports most department staff who work at the Penitentiary of New Mexico can not afford to live or own a home in Santa Fe. NMCD states this makes it much more difficult to recruit and keep qualified staff.

ADMINISTRATIVE IMPLICATIONS

NMCD states there may be minimal administrative impact on certain department staff who serve on the non-profit corporation that develops and manages the housing. NMCD states the department should be able to absorb this administrative impact.

RLP/yr