



## MVEDA's 2017- 3<sup>rd</sup> Quarter Report

*“MVEDA is a private-public partnership, leveraging private and public sector dollars, for the common goal of providing a comprehensive and integrated approach to growing and improving economic-base opportunities and jobs for residents within the Mesilla Valley region.”*

The following report summarizes the activities and results of the Mesilla Valley Economic Development Alliance (MVEDA) through the first three quarters of the current Fiscal Year. The following report provides data through March 30, 2017. The figures illustrated in this report were approved by the MVEDA Board of Directors at its April 19<sup>th</sup>, board meeting.

### **COMPLETED PROJECTS**

The business development environment in the first three quarters of Fiscal Year '17 has seen challenges for several reasons. First among them has been the effects of a long, national election cycle. Every four years, the presidential elections cause pause in major business decisions across the country, including investment in plant, equipment and future expansions. In addition, the Mesilla Valley and NM Borderplex region, which is heavily tied to border trade with Mexico, has been further impacted due to uncertainties in discussions at the national level with respect to NAFTA and the Border Adjustment Tax. These uncertainties continue to impact our region and therefore MVEDA has experienced a slight slowdown in project closings and job announcements, compared to where we were at this same point in the previous three fiscal years. Additionally, lack of existing facility space has led to a slowdown in project closings and will likely continue to be a factor as most companies and projects are seeking readily available facility space and not a build-to-suit option.

***Result: To date, MVEDA is credited with 6 project closings resulting in 258 newly announced economic based jobs. This is a drop from our 2016 3Q results which tallied 8 project closings and 452 announced economic based jobs. However, the results of these current six project closings have resulted in \$35 million in new capital investment into the region, compared with \$10 million at this same time last year.***

### **MARKETING EFFORTS**

Anticipating the challenges described in the preceding section, MVEDA staff, with the approval of the Board of Directors at their annual Board Strategic Retreat in June 2016, decided to allocate greater resources to our marketing efforts.

**Targeted Industries:** MVEDA incorporates an asset based marketing approach to industry and project identification. We first consolidate the unique assets of the region to identify which target industries would best be served by our region's product offering. By doing so, we can then visibly illustrate the strategic advantage to a company locating in the Mesilla Valley vs other parts of the country.

Therefore, target industries primarily include:

- Aerospace Manufacturing and Related Services,
- Border Trade Manufacturing and Logistics,
- Value Added Agriculture & Food Processing,
- Back Office & Technical Support Services,
- Digital Media, &
- Medical/Life Sciences.

**Targeted Geographies:** MVEDA further enhances this strategic approach by also focusing on targeted geographies as well. Geography identification is based on (1) the business climate within those geographies, (2) the accessibility to our market by decision makers from those geographies, and (3) strategic supply chain regions. California, Illinois, D.C., and Central Mexico marketplaces rise high on MVEDA's target lists. Secondary considerations include identifying all non-stop flight destinations out of the region and matching meetings with key decision makers within our target industries within those destinations.

**Marketing Mediums:** MVEDA utilizes a variety of mediums to reach these target audiences. They include a mix of social media, online advertising, industry trade related advertising, and earned media. However, private sector decisions to invest millions of dollars in new sites is a high relationship business. Therefore, MVEDA spends significant efforts building relationships with site selectors, commercial and industrial brokers and tax advisement firms around the country.

Additionally, MVEDA seeks to identify new prospects through several industry targeted tradeshows and conferences throughout the year. Through the 3<sup>rd</sup> Quarter of the current fiscal year, MVEDA has participated in the following:

- Mexico's Food Industry Summit,
- Western Food Service & Hospitality Expo,
- ISPCS,
- MRO Expo,
- Industrial Asset Management Council,
- CoreNet Global,
- Mexico's Auto Industry Summit, &
- Game Developers Conference.

This Quarter, MVEDA also worked with the NM Partnership and the State Economic Development Department to host a site-selector familiarization tour of Las Cruces and Dona Ana County.

MVEDA measures the success of our marketing efforts through what we define as Potential Recruitment Opportunities (PROs) and Site Visits. PROs are companies that have a project within a 12-month decision time window AND who have also expressed interest in receiving specific information on site identification or demographics of our region. Site Visits are defined as companies who directly, or through representation, visited the region to identify potential fit for their projects.

***Result: To date, MVEDA has responded to 37 PROs and have conducted 35 site visits, the latter of which has far outpaced our internal goals for the year. In addition, we have exceeded last year's "same time" numbers in both categories: 32 PROs and 21 site visits.***

### **BUSINESS RETENTION & EXPANSION**

A primary economic-based growth strategy for MVEDA has been rooted in supporting the growth of existing economic-based businesses in the region. Over the past two years, MVEDA expanded our efforts to work with companies whose products or services had the potential to become exportable and therefore economic-base. Due to these initiatives, MVEDA's Business Retention & Expansion Program continues to grow and these efforts are converting to job creation.

MVEDA staff also utilizes this program to credit and provide goodwill on behalf of both the City of Las Cruces and Dona Ana County. We feel that with each company engagement, we are enhancing our partners' visible support of the private sector.

***Result: To date, MVEDA has conducted 32 Business Retention & Expansion engagements and is on line to surpass our internal goals for the year. These 32 engagements have led to 3 project closings with an estimated 50 new economic-based jobs announced.***

From these engagements, we also have an additional 17 potential future expansions which could lead to another 178 potential new jobs. The diversity of local industries we impacted in these 32 engagements include:

- Manufacturing: 38%
- Value-Added Agriculture: 31%
- Back Office & Technical Support: 13%
- Logistics & Distribution: 9%
- Aerospace: 6%
- Renewable: 3%

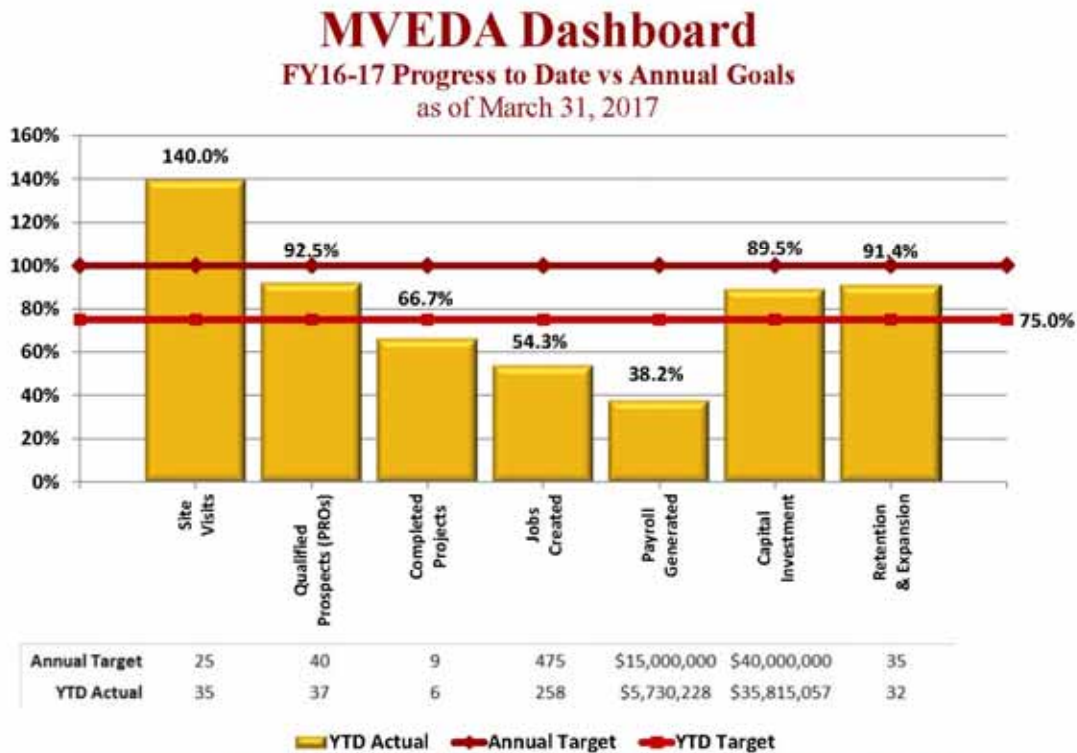
As part of our engagement efforts with companies, it is MVEDA's intent to understand the challenges which their individual operations are facing and to help identify potential solutions and programs. MVEDA steers away from "surveying" companies and instead relies on relationship building and face to

face conversations. With this approach, the probability of identifying real solutions is much greater when trust and dialogue have been established.

However, we also consolidate the outcome of these discussions so that they can be evaluated for purposes of future economic development planning. The following summarizes general concerns of the companies we engaged with:

- 39% of all companies we met with reported issues with workforce, specifically with respect to soft skills and in the identification of specialized skill sets for key positions.
- 13% of all companies we met with reported issues with permitting.
- 26% of all companies we met with reported issues with federal regulatory issues. Primarily these were geared towards food processing entities but other’s cited lack of HUB Zone availability for federal contract procurements.

***Summary Results:*** The below chart represents MVEDA’s progress as outlined by its Board of Directors. The top red line represents MVEDA’s year-end goals in each category, while the lower red line forecasts where our results should be as of March 31<sup>st</sup>. As illustrated, MVEDA is ahead of target in all categories except Completed Projects, Jobs Created and Payroll Generated.



MVEDA's Mission: Grow the wealth of Doña Ana County through the creation of economic-based job opportunities for its residents.

**PROJECT PIPELINE**

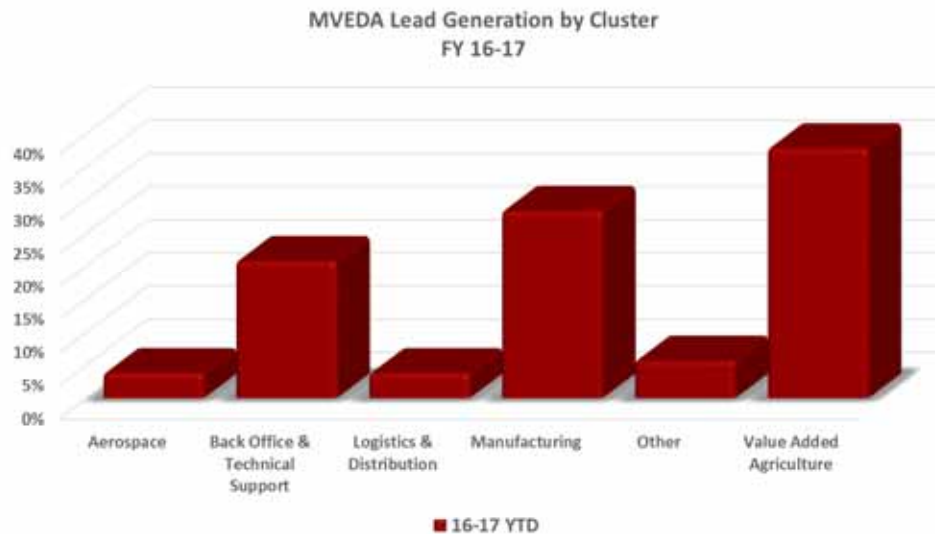
As MVEDA enters the final quarter of our current fiscal year we continue to be bullish about the growth potential. Although “jobs to date” numbers are down compared to last year, as discussed, lead generation and PROs have increased. In fact, our current prospect pipeline encompasses 97 active projects, representing 6,944 potential jobs. This is compared to our previous year whereby MVEDA had 64 active projects totaling 2,977 potential new jobs at this same time frame.

The majority of these opportunities fall primarily within the manufacturing and back office/technical support industry targets. Although it is not realistic to assume all projects will result in site selection decisions in the region, it is however a barometer to gauge future potential.



A handful of our most active projects is illustrated in the bubble chart above, which outlines prospects MVEDA is working with that have a potential to choose Doña Ana County and Las Cruces as their site location. The bubbles furthest to the top right-hand corner represent the possibility of closing within a shorter time frame, while those in the lower left-hand corner have a lesser probability of closing within a longer time frame.

When we consider total lead generation, and not only Top Prospects, the distribution of industry interests is much more diverse with Value Added Agriculture leading the way.



### **ECONOMIC IMPACT**

MVEDA goes to great efforts to measure the economic impact to the community based on our job creation efforts. We subscribe to IMPLAN data and analysis software which attempts to measure the results of economic-based direct and indirect job creation. MVEDA primarily measures two areas; household spending and new tax base creation. Household spending illustrates local consumer confidence and their spending habits churn further growth in the economy. Tax base helps us to understand the health of local and state government and their future ability to support the services of their residents. Below is an analysis of potential impact based on our first three quarter results. Note: The impact numbers below represent 5 year cumulative impact. MVEDA utilizes IMPLAN data through software provided by Applied Economics to forecast impacts.

- **Tax Base**
  - **State** \$7.1 MM
  - **County** \$4.0 MM
  - **City of Las Cruces** \$1 MM
- **Household Spending**
  - \$74 MM
- **Jobs**
  - Direct 258
  - Indirect 410

\*Impact based on employment, capital investment expectations, and wages, as provided to us by the project leads. MVEDA will re-evaluate data with employers prior to the end of the Fiscal Year to and run a new year end analysis at that time. Therefore, some of this data is subject to change.

## **CAPACITY BUILDING & ECONOMIC DEVELOPMENT ADVISORY**

In addition to actively pursuing new job creation through both MVEDA's Business Attraction and Business Expansion programs, MVEDA is also engaged in helping to create a better environment and support economic activity within the City of Las Cruces and Dona Ana County. To this end MVEDA is engaged in strategies and endeavors to improve the local workforce, promote business friendly policy changes, and create of new business attraction tools.

## **LEGISLATIVE IMPACTS**

MVEDA was the originator of a concept which, with the help of Representative Bill McCamley, turned into House Bill 147 which passed unanimously through the House and Senate and was signed by Governor Martinez. The bill modifies JTIP residency language, changing eligibility requirements from 1-year residency to 1-day residency for high wage jobs. We believe this will positively impact not only the City of Las Cruces and Dona Ana County in our efforts to recruit higher technology related companies, but will have a positive impact on rural New Mexico as a whole. In addition to Rep. McCamley we also extend thanks to Senator Mary Kay Papen, and Jason Espinoza with ACI for their support.

MVEDA also worked to support changes to Industrial Revenue Bond (IRB) language which intended to create greater parity between municipal and county IRBs. Through our involvement with NMIDEA, we were able to identify issues by communities that were against the proposal and identify mutually beneficial language. However, we were short on time and the bill did not make it out of committees. MVEDA will continue to support this change in the next legislative session.

## **WORKFORCE IMPACTS**

Led by the Bridge of Southern New Mexico, there is a partnership effort to define and develop industry career pathways that are aligned with growing industries in the Mesilla Valley. The basis to define those industries came out of conversations with MVEDA so that they are aligned with the asset based target industries which we focus on growing. This helps to bring around full circle the value proposition for business attraction through the visibility of BOTH strong assets and human capital.

## **ECONOMIC DEVELOPMENT STRATEGY IMPACTS**

MVEDA has actively stayed involved with state and local level policy impacts that could affect local business and economic development. Boards which we sit on include:

- NM IDEA
- NM Economic Development Partnership
- NM First
- Spaceport Authority
- Arrowhead Center
- Quality New Mexico, &
- Recently joined as Vice Chair of ACI's Economic Development Policy Committee

## **SUMMARY & RECOMMENDATIONS**

In summary, although we constantly face challenges and significant competition for business attraction, MVEDA feels optimistic about our future growth and economic development opportunities in the region, as measured by our increase in lead generation, PROs, and site visits. Although as a border region we are impacted by the uncertainty of future NAFTA changes, we feel confident that over time clarity will take shape and border related investments will open-up again. However, lack of spec and facility space continues to be an issue in business attraction and growth and will continue to be one until private sector development once again becomes more aggressive. However, until that time, the City of Las Cruces and Dona Ana County can play a critical role in developing programs, incentives, or policy that helps spur development. This could come in the form of (1) fast track permitting programs, (2) pre-permitting conceptual buildings, (3) aggressive LEDA land incentives, and (4) site ready infrastructure to name just a few.

However, a shining bright spot for job creation continues to be within MVEDA's Retention & Expansion program. Based on new program implementations we continue to convert more engagements into projects and in turn, new job creation in the region.

We feel MVEDA concentrates on a vital community need with a focus on economic base job creation which directly relates to new gross receipts tax and new revenues. As always, we appreciate the Partnership we have with our partners at the City of Las Cruces, Dona Ana County, NMSU, DACC and especially, our 90+ private sector members, in this joint effort to grow the wealth and opportunities for residents of the region.