

MVEDA

April 4, 2017

Matt Geisel, Cabinet Secretary



Some Really Important Stuff is Made in New Mexico.....Thanks to Economic Development

COMPASS
MANUFACTURING SERVICES
— A DIVISION OF COMPASS COMPONENTS, INC. —





NMEDD Programs

- Job Training Incentive Program
- Finance Development
 - LEDA – Local Economic Development Act
 - Catalyst Fund
 - New Markets Tax Credits
 - FUNDIT
- Office of International Trade
- Business Incubator Certification
- MainStreet
- Arts & Cultural Districts
- Frontier Communities
- Historic Theaters Initiative
- Office of Science & Technology
 - Technology Research Collaborative
 - Defense Industry Diversification Program
- State Data Center

FY16 EDD Results: Across all programs our various teams assisted at least 360 companies.

- 4,140 New Jobs
- Ten Companies Recruited by the Partnership
- 80 Business Expansions
- 23 Projects Supported by LEDA Investment of \$15.2 Million; Leveraged Ratio of 16.8 to 1 and 2,426 jobs
- 2,238 New Mexicans Trained by JTIP for 60 Companies; Average Wage of \$18.04
- \$22 Million in New Private Investment in MainStreet Districts; 248 Building Rehabilitations
- Film Office: 63 Total Film & Media Projects Generated \$387 Million in Direct Spending Statewide; 260,307 Worker Days
- Exports Under the New Mexico SBA STEP Grant = Estimated \$10 Million in New Revenue to Participating New Mexico Businesses

The Economic Development Toolbox

Driving Diversification and
Incrementalism in our Economy

LEDA & JTIP Keep New Mexico Competitive

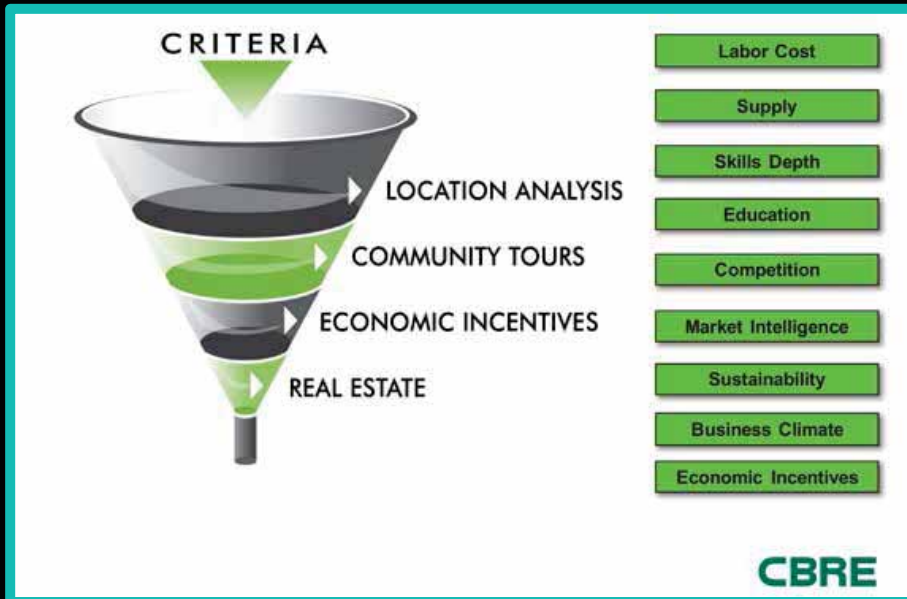
\$56 Million
Deal Closing
Fund

JTIP Consistently
Ranked in the
Top 5 Workforce
Training Programs
in the Country

Recruiting new business is a highly competitive game.

The largest economic development incentive deals in the 3rd quarter of 2016:

- The Walt Disney Co. (CA) \$267M
- Gateway Sports Complex (MO) \$61M
- Allergan (NJ) \$58.3M
- ACTEGA North America (NJ) \$40M
- Ernst & Young (NJ) \$39.8M
- Louisiana Pacific Corp. (MN) \$36M
- Fiat Chrysler (MI) \$34.6M
- Omnicom Group (NJ) \$33.2M
- Project Colony (CO) \$23.9M
- Amazon (PA) \$22.3M
- Siemens Healthcare Diagnostics (MA) \$19M



Without LEDA, JTIP.....

Significant Disadvantage		Potential Disadvantage	Not at a Disadvantage
Arizona	New Jersey	Alabama	Alaska
Arkansas	New York	Colorado	California
Florida	North Carolina	Delaware	Connecticut
Georgia	Ohio	Illinois	Hawaii
Idaho	Oklahoma	Indiana	Maine
Kansas	Rhode Island	Iowa	Minnesota
Kentucky	South Carolina	Massachusetts	Montana
Louisiana	Texas	Michigan	Nebraska
Maryland	Utah	Oregon	New Hampshire
Missouri	Virginia	Pennsylvania	North Dakota
Nevada	Wisconsin	Tennessee	South Dakota
		Vermont	Washington
			West Virginia
			Wyoming

Now We Are Successful Against BIG States

Company

- Keter Plastics
- Facebook
- Safelite Solutions
- PCM
- Federal Express Ground
- DHF Technical Products
- CN Wire
- Niagara Bottling
- Aircraft Technical Support

Competing State

- Arizona and Nevada
- Utah
- Texas
- Illinois & Quebec
- Texas
- California
- Texas & California
- Utah & Colorado
- Florida

Facebook – A BIG League Win for NM

- Data Center recruitment is core strategy for IA, OR, NC, TX among others.
 - And NM is well positioned, in particular, for Enterprise Data Centers seeking geo-diversification, low natural disaster risk and renewables.
- Highlights from the Facebook Economic Impact Analysis:
 - Facebook 104 direct workers for a payroll of \$9.6M
 - These direct workers would support an additional 77 indirect and induced workers for an addtl \$3.26M in payroll.
 - Upwards of 1000 construction workers are expected to be actively working on-site by 2017YE
 - On Jan 9th the International Brotherhood of Electrical Workers (IBEW) Local 611 announced that it's looking for 200 to 250 members who are journeymen licensed electricians to work on the data center. By April, Local 611 estimates 350 jobs on-site.
 - 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**.
 - Net fiscal impact is total recurring municipal revenues less costs to the Village General Fund that result from the project.

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



X2nSAT

- First expansion to New Mexico, October 2016
- 45 new jobs
- Salaries up to \$100,000
- \$300,000 LEDA investment
- JTIP to-date
- Wireless network, satellite, & other remote communications solutions



Two New Announcements

Wholesome Valley Farms

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

New Mexico Green Houses

NMGH will invest \$5.4M to expand their Mesilla Park operation to meet growing demand from Whole Foods.

25 new jobs above original PPA commitment

\$150,000 in LEDA; \$25,000 contingent on using NM contractors.

New Mexico beat Colorado for this expansion.



Legislative Priorities (Still)

Keep the Forward Momentum

- Protect LEDA:
 - Maintain \$50 Million funding level; stay true to original intent of evergreen fund; enable New Mexico to compete with 35 other states
 - Encumbered Projects: \$22M and Project Pipeline at \$60M+; Rural projects make up more than ½ of the pipeline
 - 23 Projects Supported by LEDA Investment of \$15.2 Million; 16.8 to 1 Private to Public Sector Dollars invested in FY16
 - Why LEDA?: To recruit, retain, expand businesses and build business infrastructure
- Fund JTIP to \$12M:
 - \$11.5 Million in the backlog of current applications to employ, and then, train 1550+ New Mexicans
 - Strong Rural Job Creation Prospects in the JTIP Backlog: 2/5^{ths} of the JTIP Applications, 27.6% of the jobs, 29.5% of the dollars
 - 2,238 New Mexicans Trained by JTIP, in FY16, at an average Wage of \$18.04 across 60 companies
 - Why JTIP?: Provides for up-training and skill building, and career and economic advancement of New Mexicans while creating stability in the employer base

Momentum Con't

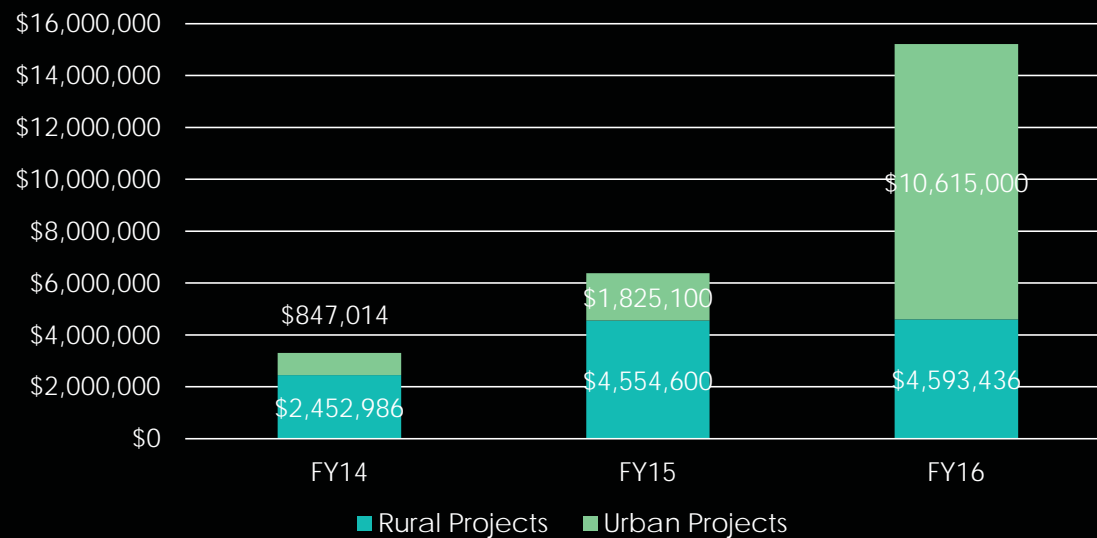
- Adopt Enhanced Enterprise Zone Legislation:
 - Geographically focused tool; No cost tool - Property Tax Abatement on future increase, taxing districts held harmless to receive current property tax revenue streams
 - Stimulates both re-development and new construction; pliable in both metro and rural as well as diverse land use applications
- High Wage Jobs Tax Credit Fix: Address Unintended Industry & Job Type Exclusions: i.e. Corporate/Regional HQs
- Rapid Workforce Development Fund: Permanent Funding
- Protect Core EDD Programs
 - Film: \$50M Incentive Funding. In FY16, 63 Total Film & Media Projects Generated \$387 Million in Direct Spending Statewide; 260,307 Worker Days.
 - MainStreet (Restore Frontier Communities Initiative & MS Capital Outlay): \$22 Million in New Private Investment in MainStreet Districts; 248 Building Rehabilitations in FY16
 - Business Incubators: EDD requests \$180K to provide grants to 7 incubators for early-stage business creation
 - International Trade: Exports Under the New Mexico SBA STEP Grant ~\$10M in new revenue for New Mexico Businesses
 - Office of Science & Technology: collaborates and organizes resources to engender Tech Transfer and support start-up companies bridge the valley of death to successful commercialization

LEDA Builds the Business Infrastructure

LEDA Investments in Dona Ana County:

- CN Wire
- MCS Industries
- Certoplast
- Franco Foods
- Ol' Gringo Chile Company
- New Mexico Greenhouse Holdings
- W. Silver
- Valley Cold Storage
- Pecan Brewery & Spirits
- X2nSat

LEDA Investments



Job Training Incentive Program (JTIP)

FY17 YTD Statistics:

1,389 Trainees

52 Companies Assisted (10 Rural)

FY16 Statistics:

60 Companies Assisted (8 Rural)

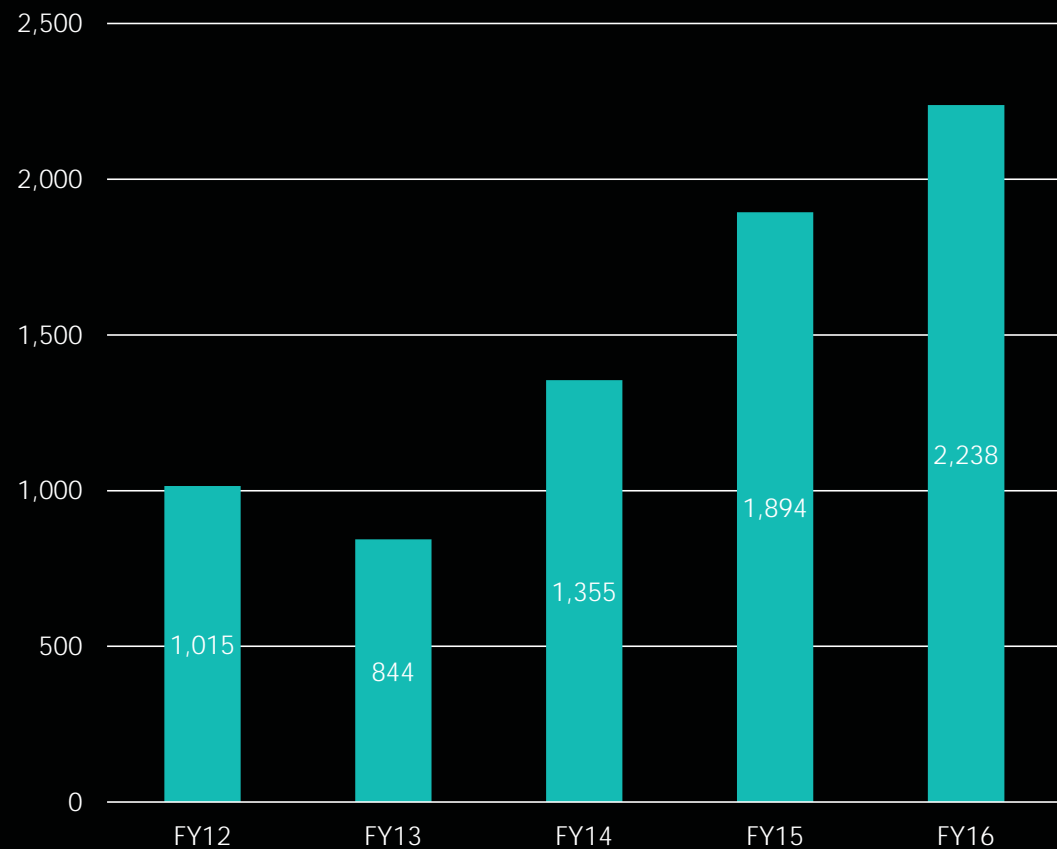
Average Wage = \$18.04

Current Backlog/Demand:

\$11.5 Million in the backlog of current applications to employ, and then, train 1550+ New Mexicans

Rural Backlog: 2/5^{ths} of the Applications, 27.6% of the jobs, 29.5% of the dollars

Workers Trained by JTIP



Accountability, Compliance, Protecting New Mexican's Money

LEDA

- Due Diligence:
 - Financial Analysis of Company including a D&B Credit Check
 - 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 (Keter)
- Phased Pay-outs at Milestones
- Two Reviews of Qualified Expenditures before disbursement

JTIP

- For FY 17, JTIP increased minimum wage entry levels in urban areas from a low of \$9.00 to \$11.00 and for rural areas from \$8.00 to \$9.50.
 - For 3rd Party BPO Customer Care Centers, the wage went from \$11.22 to \$12.50
 - ➔ Steering the type of wages and job creation New Mexicans deserve
- Added an intern program to encourage hiring college students
- Job creation in a federally designated colonias may be eligible for 75% wage reimbursement
- Compliance and Protection Measures
 - Post-performance audit and payment
 - Must be compliant with CRS-1 and UI reporting
- Annual Retention Analysis with through DWS

New Mexico Communities Move Forward with a Growing Tax Base

**Municipal
Benefits,
Costs, &
Net
Benefits,
Over the
Next 10
Years
from
FY16
Projects**

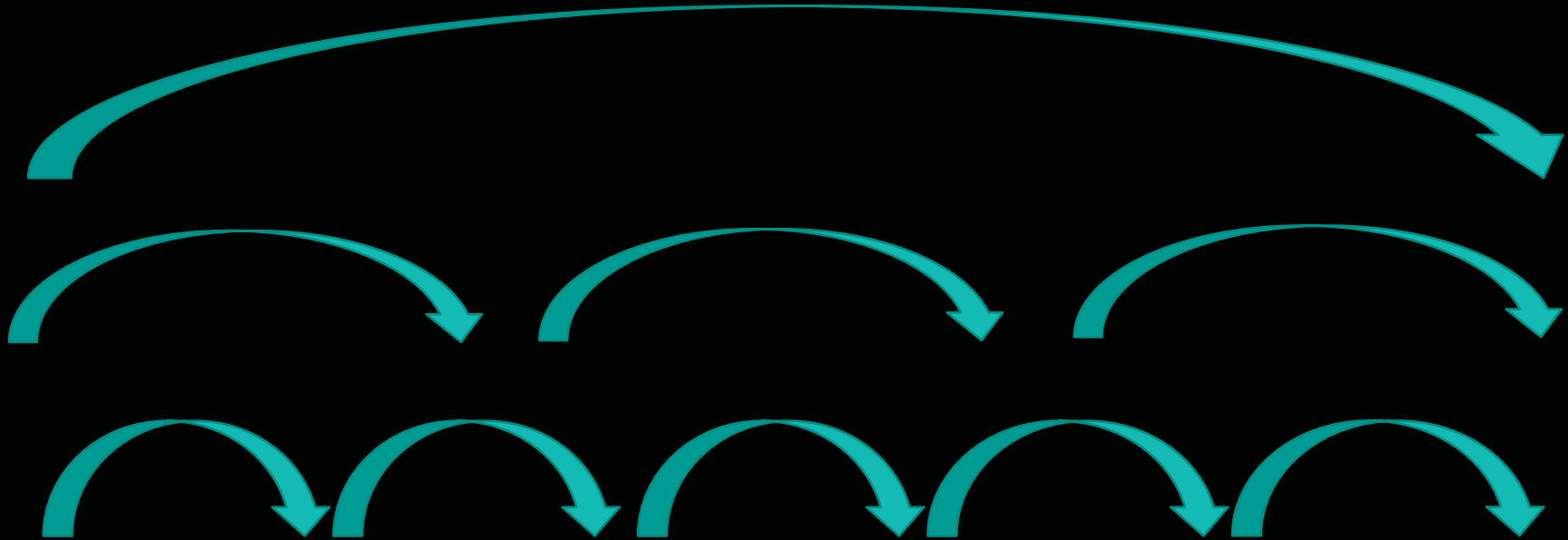
	Amount
Gross Receipts Taxes	\$44,065,736
Real Property Taxes – Project	\$1,997,025
FF&E Property Taxes – Project	\$3,056,355
Property Taxes – New Residential	\$550,041
Utility Revenue	\$19,085,050
Utility Franchise Fees	\$1,224,480
Building Permits and Fees	\$10,880
Lodgers Taxes	\$486,221
Miscellaneous Taxes & User Fees	\$8,398,862
Subtotal Benefits	\$78,874,649
Cost of Providing Municipal Services	\$12,491,063
Cost of Providing Utility Services	\$19,657,602
Subtotal Costs	\$32,148,664
Net Benefits	\$46,725,985
Present Value (5% discount rate)	\$36,160,854

Two Year Sprint

M²Q² = More Quality, More Quantity

Accelerating Forward Momentum

Incremental vs Monumental



Strategic Approach → Better Business Climate

All of the changes we have made to tax and regulatory policy are intended to facilitate a diversified private sector economy that is less reliant on national trends.

- Reduced corporate income tax rate by 22%
- Enacted single sales apportionment option for manufacturers and corporate headquarters
- Removed gross receipts tax on consumables used in manufacturing, including utilities
- Enhanced target industry incentives such as the aviation gross receipts tax deduction

Asset Based Approach

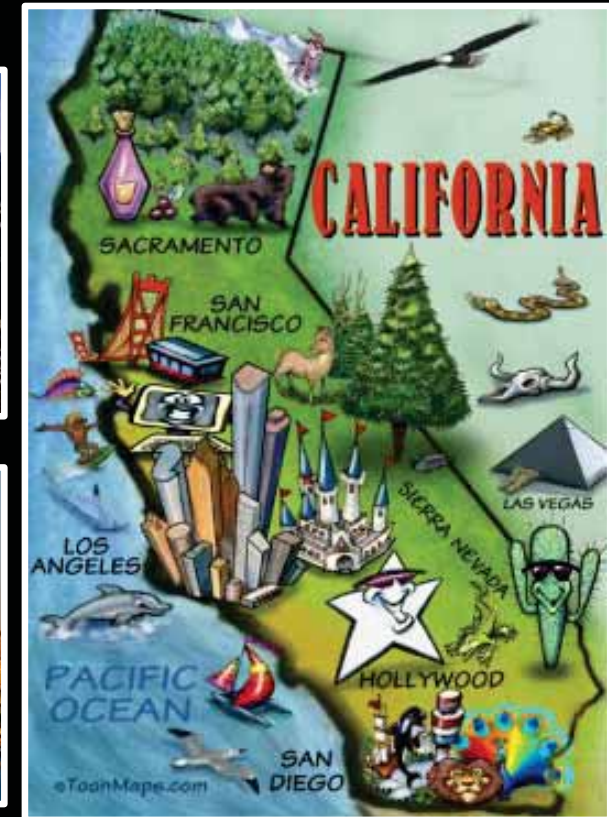
- Retooled Tax Policy
- Market Proximity
- Transportation Infrastructure
- Targeted Incentives
- Available Research & Technology
- Statewide Customized Workforce Development
- Land & Buildings
- Labor – Quality & Availability



More Pitching → Targeted Marketing

Our improved tax climate has created very competitive markets for our state:

- California
- Illinois
- New York



Build Industry Clusters

- Information Technology
- Data Centers
- UAV/Aerospace/Aviation
- Photonics/Bio Sciences
- Directed Energy & Optics
- Logistics, Distribution & Transportation
- Back Office Operations/Shared Services
- Advanced Manufacturing
- Food Processing



New, New Mexico Partnership

- Strategic Use of Resources with New Leadership
- Leverage NM True as a Unifying Brand Element
 - For an augmented Marketing Platform for Business Recruitment,
 - Build on the brand awareness yet address that we tend to have a neutral brand image among Decision Makers
 - Broadens our marketing to Business Executives and others on top of the strong work done in marketing to and prospecting the Site Selection Channel
- Serve Rural Areas Smarter

The 3s and 5s of Economic Development....

- JTIP is one of the top 3 to 5 programs of its kind in the nation
- We are only 3.5 years into LEDA
- Without a robust Economic Development Toolbox impedes in competing with 35 States
- Our competitive states have been doing this for 35+ Years

- With wind in our sails and momentum in our favor, New Mexico needs consistency and predictability in its Economic Development Toolbox
 - Work towards a \$50 Million funding level for LEDA endeavoring to stay true to original intent of evergreen fund; and
 - Concur with the Executive Recommendation of \$4.7M Special appropriation in JTIP