

# City of Las Cruces®

PEOPLE HELPING PEOPLE

## Council Action and Executive Summary

Item # 22 Ordinance/Resolution# 2697

For Meeting of October 7, 2013  
(Ordinance First Reading Date)

For Meeting of October 21, 2013  
(Adoption Date)

Please check box that applies to this item:

QUASI JUDICIAL       LEGISLATIVE       ADMINISTRATIVE

**TITLE: AN ORDINANCE REPEALING THE LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2004 ADOPTED BY ORDINANCE NO. 2122 AND ADOPTING THE LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2013 TO REFLECT REVISED PROJECT SECURITY REQUIREMENTS ADOPTED BY THE NEW MEXICO LEGISLATURE IN HOUSE BILL 352 OF THE 2013 REGULAR LEGISLATIVE SESSION.**

**PURPOSE(S) OF ACTION:**

To approve a new Las Cruces Local Economic Development Plan.

<b>COUNCIL DISTRICT: ALL</b>		
<b><u>Drafter/Staff Contact:</u></b> Elizabeth Vega	<b><u>Department/Section:</u></b> Administration/ Economic Development	<b><u>Phone:</u></b> 575-541-2717
<b><u>City Manager Signature:</u></b>		

**BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:**

In 2004, the City of Las Cruces adopted the Las Cruces Local Economic Development Plan under the authority granted through NMSA 1978 section 5-10-1 to 5-10-13, also known as the Local Economic Development Act (LEDA). The plan was codified in Ordinance No. 2122 and allowed the City to be proactive in recruiting, retaining, and growing local business to the benefit of the local economy.

In the 2013 New Mexico legislative session, House Bill 352 authorized municipalities to amend their local economic development plans to include project security requirements. Also known as "clawback provisions", these new requirements would allow the City to recover costs put towards an approved economic development project if the terms of the agreement were not met. In order to protect the City's investment in local economic development projects, the project security requirements need to be added. Therefore, staff recommends the Las Cruces Local Economic Development Plan 2004 be repealed and the Las Cruces Local Economic Development Plan 2013 be adopted with the updated project security requirements.

(Continue on additional sheets as required)

**SUPPORT INFORMATION:**

1. Ordinance.
2. Exhibit "A", Proposed Las Cruces Local Economic Development Plan 2013.
3. Exhibit "B", New Mexico House Bill 352.
4. Attachment "A", Las Cruces Local Economic Development Plan 2013, in legislative format.

**SOURCE OF FUNDING:**

<b>Is this action already budgeted?</b>  N/A	Yes	<input type="checkbox"/>	See fund summary below
	No	<input type="checkbox"/>	If No, then check one below:
	<i>Budget Adjustment Attached</i>	<input type="checkbox"/>	Expense reallocated from: _____
	<input type="checkbox"/>	<input type="checkbox"/>	Proposed funding is from a new revenue source (i.e. grant; see details below)
		<input type="checkbox"/>	Proposed funding is from fund balance in the _____ Fund.
<b>Does this action create any revenue?</b>  N/A	Yes	<input type="checkbox"/>	Funds will be deposited into this fund: _____ in the amount of _____ for FY _____.
	No	<input type="checkbox"/>	There is no new revenue generated by this action.

**BUDGET NARRATIVE**

N/A
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**FUND EXPENDITURE SUMMARY:**

Fund Name(s)	Account Number(s)	Expenditure Proposed	Available Budgeted Funds in Current FY	Remaining Funds	Purpose for Remaining Funds
N/A	N/A	N/A	N/A	N/A	N/A

**OPTIONS / ALTERNATIVES:**

1. Vote "Yes"; this will repeal the Las Cruces Local Economic Development Plan 2004 adopted in Ordinance No. 2122 and will adopt the Las Cruces Local Economic Development Plan 2013 to include the project security requirements passed during the 2013 New Mexico legislative session.
2. Vote "No"; this will not repeal the Las Cruces Local Economic Development Plan 2004 adopted in Ordinance No. 2122 and will open the City up to potential liabilities when accepting an economic development project to implement.
3. Vote to "Amend"; this will require direction from Council to staff on how to proceed.
4. Vote to "Table"; this will require direction from Council to staff on how to proceed.

(Continue on additional sheets as required)

**REFERENCE INFORMATION:**

N/A

(Continue on additional sheets as required)

COUNCIL BILL NO. 14-012  
ORDINANCE NO. 2697

**AN ORDINANCE REPEALING THE LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2004 ADOPTED BY ORDINANCE NO. 2122 AND ADOPTING THE LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN 2013 TO REFLECT REVISED PROJECT SECURITY REQUIREMENTS ADOPTED BY THE NEW MEXICO LEGISLATURE IN HOUSE BILL 352 OF THE 2013 REGULAR LEGISLATIVE SESSION.**

The City Council is informed that:

**WHEREAS**, in 1993 the New Mexico State Legislature enacted NMSA 1978 section 5-10-1 to 5-10-13, titled the "Local Economic Development Act" (the "Act") to allow for the use of public resources for economic development; and

**WHEREAS**, in 2004 the City of Las Cruces adopted the Las Cruces Local Economic Development Plan 2004 by Ordinance No. 2122 to implement the authority of the State Act; and

**WHEREAS**, New Mexico House Bill 352 adopted during the 2013 New Mexico legislative session amended NMSA 1978, Section 5-10-10 to incorporate specific requirements relating to the substantive contributions from a qualifying entity and relating to security provided by a qualifying entity to ensure performance of its obligations under a project participation agreement, as shown in Exhibit "B"; and

**WHEREAS**, in 2013 the legislature adopted additional amendments to the State Act requiring security for state and local contributions to local economic development projects; and

**WHEREAS**, the City of Las Cruces understands the need to repeal the Las Cruces Local Economic Development Plan 2004 and adopt a new ordinance to reflect the specific requirements of House Bill 352, as codified in NMSA 1978, Section 5-10-10.

**NOW, THEREFORE,** Be it ordained by the governing body of the City of Las Cruces:

**(I)**

**THAT** the Las Cruces Local Economic Development Plan 2004 adopted in Ordinance No. 2122 is hereby repealed.

**(II)**

**THAT** the Las Cruces Local Economic Development Plan 2013 attached hereto as Exhibit "A" is hereby approved and adopted.

**(III)**

**THAT** this ordinance may be cited as the "Las Cruces Local Economic Development Ordinance.

**(IV)**

**THAT** City staff is hereby authorized to do all deeds necessary in the accomplishment of the herein above.

**DONE AND APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

(SEAL)

VOTE:  
Mayor Miyagishima: \_\_\_\_\_  
Councillor Silva: \_\_\_\_\_  
Councillor Smith: \_\_\_\_\_  
Councillor Pedroza: \_\_\_\_\_  
Councillor Small: \_\_\_\_\_  
Councillor Sorg: \_\_\_\_\_  
Councillor Thomas: \_\_\_\_\_

Moved by: \_\_\_\_\_

Seconded by: \_\_\_\_\_

APPROVED AS TO FORM:

  
\_\_\_\_\_  
City Attorney

**Exhibit "A"**

**City of Las Cruces  
New Mexico**

**Local Economic Development Plan 2013**

**Prepared by**

South Central Council of Governments with City of Las Cruces, Las Cruces Ad-hoc Committee for Economic Development, and Mesilla Valley Economic Development Alliance.

**September 2013**

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## Summary

The Las Cruces Local Economic Development Plan 2004 implements the authority of the New Mexico Statute titled "Local Economic Development Act." The plan strengthens Las Cruces' economic development efforts by making certain public resources available for specific economic development projects. The plan is compatible with the goals and strategic plan of the Mesilla Valley Economic Development Alliance (MVEDA) and anticipates close cooperation and coordination with MVEDA. The plan is additive rather than duplicative of MVEDA's economic development activities.

The Las Cruces economy is growing. People are moving here from other parts of the state and country and from other countries. The city has become one of the Southwest's destinations for retirement living. Major national retailers, banks, and motels are building facilities in the city. Population growth and low interest rates have led to a sustained boom in new residential development and home construction.

The local economy has a stable base provided by government spending and hiring at all levels, the productive Mesilla Valley agriculture industry, and the retail spending Las Cruces attracts as an important regional shopping center. There is a growing high tech sector which draws strength from test and research activity at White Sands Missile Range and the NASA Test Facility and from research and teaching at New Mexico State University.

Still, compared to state and national averages, local unemployment rates are high and average salaries are low (as well as per capita and median household incomes) Labor force participation rates are low and declining which suggests many potential workers have become discouraged. Many young people graduating from high school and the university leave the area in search of better economic prospects.

The economic base consists largely of government, retail trade, and agriculture. The three industries have limited growth potential to significantly improve the local economy. (The exception is additional value-added processing of local agricultural commodities.) For significant improvement, the base will have to expand. The most likely areas are manufacturing and high-end services.

Economic development arises, in the main, from private business activity. Most economic activity occurs in cities, imparting to cities a general interest in economic development. The Las Cruces municipal government has a keen interest in the health of the local economy and the general welfare of Las Cruces residents. The methods available to local governments to develop the economy are generally limited.

However, the State of New Mexico has provided an economic development tool of substance with passage of the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978). The Act is the effective legislation following a voter-approved amendment to the "anti-donation clause" of the New Mexico Constitution, Article IX, Section 14, Subsection D, which authorizes the use by local governments of public resources for economic development purposes.

The City of Las Cruces Local Economic Development Plan is intended to implement the authority provided by the Act.

The important and significant difference for economic development proposed by this plan is this: The Act authorizes the City of Las Cruces to provide resources of value to individual businesses in an economic development project which results in new jobs. Before 1994, such assistance to a private firm or individual could have been in violation of the anti-donation clause. The resources Las Cruces may offer include land, buildings, infrastructure, financial incentives, and services associated with developing the land, buildings, and infrastructure. The Act limits the value of the assistance to five percent of the annual general fund expenditures in any one fiscal year. Neither the plan nor the statute provide additional funds; Las Cruces' share of economic development projects will derive from current revenue. The plan envisions that public benefits from economic development projects will equal or exceed public costs.

Five percent of the annual general fund, currently, is approximately \$2.75 million. As an example, that amount of Las Cruces assistance can leverage \$8.25 million in new business investment at a three to one ratio (three private dollars to one public dollar) and \$11.0 million in new investment at a four to one leverage ratio. In any year, \$2.75 million can induce the creation of one hundred to two hundred new jobs depending on the amount of public investment required for one job. Up to \$30,000 in public assistance may be offered for each job created depending on the strength and desirability of the project.

The intent and guidance provided by the Act implies that the overall strategy will be to attract and to retain private businesses which create new jobs. This particular overarching strategy centers on the capacity of Las Cruces to provide incentives to business firms. The incentives are in the form of municipally-owned resources, municipally provided services, provision for job training assistance, and financial incentives which are at the discretion of the City of Las Cruces. An economic development project is a partnership which combines public resources and private investment and achieves the goal objectives of the local economic development plan.

Quantitative objectives call for identifying and persuading business firms to expand and locate in Las Cruces in order to create jobs. Qualitative objectives call for identifying companies in desirable industries and persuading them to expand or locate in Las Cruces. Companies in desired industries expanding or locating in Las Cruces are anticipated to diversify the economy. New jobs in the desired industries are expected to raise the average salary level for employees in the local economy. Las Cruces will consider start-up companies with strong proposals for participation in an economic development project. Locally-owned businesses that are seeking to expand operations are given a priority.

The preferred industry clusters are aerospace, high technology, advanced business and financial services, other professional and technical services, maquila suppliers, and value-added food processing. Because it is essentially an attraction-retention strategy, the plan incorporates the goals of the MVEDA strategic plan. The Las Cruces plan takes advantage of and relies on MVEDA for marketing and recruiting, which MVEDA does well.

### Goal Statement

The purpose of the local economic development program is to create a dynamic local economy with increasingly abundant and rewarding employment and investment opportunities for all Las Cruces residents and an economy progressively diversified toward sectors and industries that are near the leading edge of technology, likely to thrive into the future, and likely to provide improved returns to employees and investors.

### Goal Objectives

- Quantitative objective—attract fifteen million dollars in new business investment annually.
- Quantitative objective—create 150 – 200 new jobs annually.
- Qualitative objective—increase the average annual salary by one percent greater than the inflation rate annually.
- Qualitative objective—diversify the economy by emphasizing development in preferred industry clusters.

### Strategy

- Use public resources (land, buildings, services, financial incentives) as enticements to keep expanding local businesses in Las Cruces and to encourage outside businesses to locate operations in Las Cruces.
- Basic model - Public contribution plus private investment equals new jobs.
- Preferred model - Public contribution plus private investment in desired industry clusters equals new jobs with above average salaries.

The local economic development plan has been prepared by the South Central Council of Governments by agreement with and under the direction of the City of Las Cruces. In addition to the city administration, valuable assistance has been provided by the Mesilla Valley Economic Development Alliance and the Las Cruces Ad-hoc Committee for Economic Development.

A public meeting was held on April 27, 2004 at City Hall. The meeting was advertised in the main section of the local newspaper, “Las Cruces Sun-News,” in the Saturday and Sunday editions April 24 and 25. Flyers announcing the meeting were available at city hall, the Branigan Library, the chambers of commerce, and the MVEDA office. The major points of the proposed plan were presented for discussion by those in attendance.

## Section 1 Introduction

The City of Las Cruces Local Economic Development Plan implements the State of New Mexico statute titled the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978). The Act legislates a voter-approved exception to the “anti-donation clause” of the New Mexico Constitution, Article IX, Section 14, Subsection D, by authorizing the use of public resources for economic development purposes by local governments.

### 1.1 Local Economic Development Act

The Local Economic Development Act, “the Act,” authorizes local governments to use public resources for economic development projects. It was initiated as a constitutional amendment, put to a statewide vote in the 1994 general election and approved by the voters.

Public resources that may be used for an economic development project include land, buildings, infrastructure, and direct loans and grants for land, buildings, and infrastructure. In order to implement the authority provided by the Act, a local government must produce an economic development plan and adopt the plan by ordinance. Briefly, the plan describes goals and strategies, types of businesses that qualify, what resources will be offered, what type of projects qualify for assistance, how applications for an economic development project will be accepted and evaluated, the minimum benefit the project must provide, and how local public resources will be safeguarded.

The purpose of the Act is to enhance the capability of local governments to attract and retain job-generating businesses which, in turn, results in strengthened local and state economies.

### 1.2 Definitions from the Local Economic Development Act

The definitions presented below provide general guidance on the resources that can be offered by a local government and the type of private sector entity that can participate in an economic development project that makes use of those resources. The definitions are copied from the text of the Act.

Economic Development Project or Project means the provision of direct or indirect assistance to a qualifying business by a local or regional government and includes the purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure; public works improvements essential to the location or expansion of a qualifying business; payments for professional services contracts necessary for local or regional governments to implement a plan or project; the provision of direct loans or grants for land, buildings or infrastructure; loan guarantees securing the cost of land, buildings or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax (*see below*); grants for public works infrastructure improvements essential to the location or expansion of a qualifying business; purchase of land for a publicly held industrial park; and the construction of a building for use by a qualifying business.

Person means an individual, corporation, association, partnership or other legal entity.

Qualifying Entity means a corporation, limited liability company, partnership, joint venture, syndicate, association, or other person that is one or a combination of two or more of the following:

- (1) an industry for the manufacturing, processing, or assembling of agricultural or manufactured products;
- (2) a commercial enterprise for storing, warehousing, distributing, or selling products of agriculture, mining, or industry, but, other than as provided in Paragraph (5) or (6) [below], not including any enterprise for sale of goods or commodities at retail or for distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;
- (3) a business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in Paragraph (5) [below], not including businesses primarily engaged in the sale of goods or commodities at retail;
- (4) an Indian nation, tribe or pueblo or a federally chartered tribal corporation;
- (5) a telecommunications sales enterprise that makes the majority of its sales to persons outside New Mexico;
- (6) a facility for the direct sales by growers of agricultural products, commonly known as farmers markets; or
- (7) a business that is the developer of a metropolitan redevelopment project.

Regional government means any combination of municipalities and counties that enter into a joint powers agreement to provide for economic development projects pursuant to a plan adopted by all parties to the joint powers agreement.

### **1.3 Municipal Infrastructure Gross Receipts Tax**

Municipal governments may, under the authority of the municipal infrastructure gross receipts tax, 7-19D-11 NMSA 1978, impose up to one-fourth of one percent on local gross receipts in one-sixteenth of one percent increments. Paragraph C. (5) of the statute allows revenue from the tax to be dedicated for “furthering or implementing economic development plans and projects as defined in the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978.” Any increment of the tax for economic development requires that an election be held and a majority of the voters of the municipality voting in the election vote in favor of imposing the tax.

### **1.4 Restrictions on Public Expenditures**

The Act limits the total amount of public money that may be expended for economic development projects in a fiscal year to no more than five percent of the annual general fund expenditures in that fiscal year. The limit does not apply to:

- (1) the value of any land or building contributed to an economic development project;
- (2) revenue generated through the imposition of the municipal infrastructure gross receipts tax local option for furthering economic development plans and projects;
- (3) the proceeds of a revenue bond issue to which municipal infrastructure gross receipts tax revenue is pledged;
- (4) funds donated by private entities to be used for defraying the cost of a project.

## 1.5 Defining Economic Development

Economic development in its most basic sense means job creation by the private sector of the economy. Commonly, though, economic development is understood to refer to specific governmental efforts which are intended to encourage private investment.

Economic development is fundamentally about enhancing the factors of production—land, labor, capital, and technology. By using its resources and powers to reduce the risks and costs which could prohibit investment, the public sector can help set the stage for employment-generating investment by the private sector.

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Economic development is often defined synonymously with economic growth. Quantitative change is the goal of economic development activities under a growth definition: the number of jobs increases, business incomes rise, total personal incomes increase, or the amount of investment in business increases.

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Economic development is also defined in qualitative terms. Development results in improved productivity through innovative changes in technology, institutions, and processes (more gets done with less). Development can mean increased capacities; old jobs get done in new ways or jobs are done that were not before undertaken.

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The City of Las Cruces has a strong interest in economic development. The City is a founding member and active participant in the Mesilla Valley Economic Development Alliance, a public-private partnership with members representing local governments, federal and state institutions, non-profit business organizations, and private businesses. Among its economic development efforts, the City has created the West Mesa Industrial Park and has installed utility (water, sewer, gas) infrastructure and streets within parts of the industrial park as time, money, and opportunity allow to encourage the location of industrial and commercial businesses. By implementing the authority afforded under the Local Economic Development Act, the City of Las Cruces is providing itself with an additional economic development tool to enhance its continuing economic development efforts.

## Section 2 Local Economic Overview

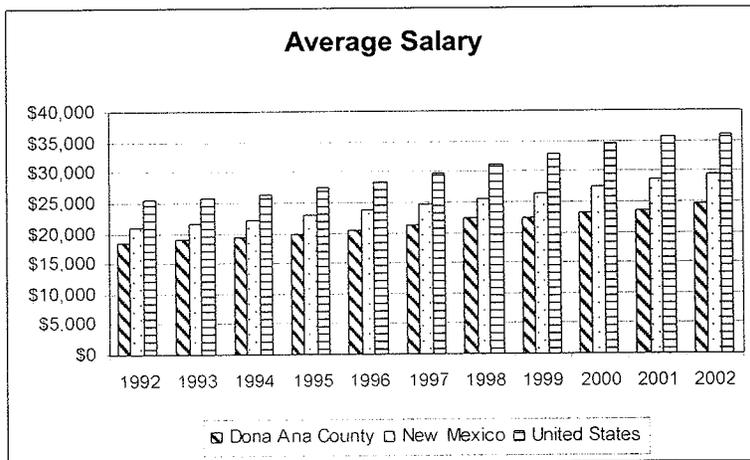
Las Cruces is a rapidly growing municipality in the southwest region of the U.S and in the southern part of New Mexico. The U.S.-Mexico border is fifty miles to the south. Las Cruces is the principal city and county seat of even more rapidly growing Dona Ana County. Las Cruces is the second most populous city in New Mexico. The city received national attention in 2002 as an attractive place to do business and to retire. Forbes.com and the Milken Institute ranked Las Cruces number one in a list of best small places for business and career. Money Magazine recognized Las Cruces as a top area in the U.S. to retire.

The 2000 Census population of Las Cruces was 74,267 which is double the population of 1970. From 1990 to 2000, the population increased twenty percent. The Las Cruces Metropolitan Statistical Area (a term devised by certain federal agencies for statistical purposes) and Dona Ana County are geographically identical. The 2000 population for Dona Ana County was 174,682, a twenty-nine percent increase from 1990 and two and a half times the 1970 population. Fifty-eight percent of the population growth increase between 1990 and 2000 is attributable to natural increase and forty-two percent by net migration. Of the persons migrating

to Dona Ana County, two-thirds came from other countries (primarily Mexico) and one-third from other parts of the state and the U.S.

The Las Cruces economy is growing as measured by work force, jobs, business gross receipts, and incomes. However, this growth is largely a function of a growing population. During the 1980s and 1990s, Las Cruces was among the fastest growing metropolitan areas in the country. Through the first years of the 21<sup>st</sup> century, the population growth rate has declined but is still a substantial one and a half to two percent annually. Population growth brings an increased demand for housing, retail goods, and many services and the local markets for these goods and services are prospering. Many economic measures—average salaries, per capita incomes, unemployment rates, retail gross receipts—compare Las Cruces unfavorably with New Mexico and the United States. Indeed, the income gap between the United States and Las Cruces is getting larger over time whether measured by per capita income, median household income, or average annual salaries.

Taking national averages as a benchmark, the job economy in Las Cruces and Dona Ana County is underperforming. Local unemployment rates are consistently higher than the nation and average salary per job is significantly lower. According to the U.S. Bureau of Economic Analysis, the average wage per job in 2002 for Dona Ana County was \$24,555 and for the U.S. it was \$36,167. The average wage in Dona Ana County in 2002 is the same as it was for the U.S. in 1992. In 1992, the average salary in Dona Ana County was 73 percent of the U.S. average; in 2002 it was 68 percent. Low salaries result in other income measures well below the national average such as median household income and per capita income;



poverty rates are double the national poverty rate. Many jobs are in the relatively low-paying retail trade and services sectors. Jobs in higher-paying industries—manufacturing, certain professional and technical services, and, to a lesser degree, construction—are a small portion of total employment. Three Standard Industrial Classification (SIC) Code sectors—government, services, retail trade—account for seventy percent of total jobs.

In recent years there have been notable improvements in three areas: real estate development and construction, health care services, and manufacturing—in particular companies that supply the maquiladora industry. Maquilas are manufacturing plants located near the border in Mexico which have been granted certain tariff privileges by agreements between the U.S. and Mexico. In Dona Ana County, manufacturing jobs are five percent of all nonfarm jobs and construction jobs are six percent. Those ratios have fluctuated slightly but they have been about the same since 1970.

The government sector plays an important role in the local economy. Fully one-quarter of all jobs are government jobs. Federal government jobs pay by far the best, well above the average salary. Most of those are at White Sands Missile Range and NASA White Sands Test Facility. State and local government provide five times as many jobs as the federal government

or one-fifth of all jobs. State and local government jobs pay above the average wage. Over time, government jobs have shown steady but not spectacular growth. Federal jobs have decreased from the 70s and 80s, likely because of increased contracting. The government sector provides stability to the local labor market but cannot drive the economy or be a growth leader. In fact, government jobs have declined as a percentage of all nonfarm jobs since 1970 with offsetting increases in the services sector.

The top ten industries by total earnings, number of jobs, and average earnings per job for Dona Ana County in 2001 are listed below. The industries are classified according to the North American Industrial Classification System (NAICS) which has replaced the SIC Code.

#### Dona Ana County (Las Cruces MSA) Earnings and Jobs in 2001

Earnings by industry (NAICS), thousands of dollars		Jobs by Industry		Jobs	Average Earnings per Job	
Rank	Total Earnings	2,000,465	Total Jobs	76,509	Average for all Jobs	26,147
1	Local government	252,189	Health care and social assistance	8,975	Federal, civilian	73,614
2	Federal, civilian	246,460	State government	8,539	Utilities	49,195
3	Health care and social assistance	225,500	Retail trade	7,912	Farm	46,301
4	State government	224,103	Local government	7,039	Professional and technical services	37,124
5	Retail trade	148,810	Accommodation and food services	5,229	Local government	35,827
6	Professional and technical services	134,315	Construction	4,588	Management of companies and enterprises	35,451
7	Farm	116,633	Administrative and waste services	3,941	Information	33,304
8	Construction	106,626	Other services, except public administration	3,789	Manufacturing	29,220
9	Manufacturing	101,540	Professional and technical services	3,618	State government	26,245
10	Accommodation and food services	64,361	Manufacturing	3,475	Transportation and warehousing	25,396

Source: U.S. Bureau of Economic Analysis.

Keep in mind that the Bureau of Economic Analysis includes proprietors in the above data and that the employment numbers include full-time and part-time employment. The table shows average earnings at \$26,147 by dividing total earnings by total jobs. Average earnings are displayed for comparison with other industries. The average wage per job in 2001 was \$23,585 according to BEA.

The increased detail of NAICS reporting illuminates the services sector, notably in the large number of jobs in the health care and social assistance sector and in the above average salaries earned in the professional and technical services sector. The SIC Code had previously included both in the broad services sector.

### Section 3 Analysis

Evaluating strengths and weaknesses is a search for competitive advantage.

#### 3.1 Strengths-Weaknesses Table

Economic Factor		Strength	Weakness	Neutral	Comment
Land	Undeveloped	•			Open, plentiful, affordable.
	With utility service and paved access	•		•	West Mesa Industrial Park is a relative strength, other sites throughout the city are available.
	Buildings		•		Few ready-to-occupy industrial buildings.
	Utility Infrastructure			•	City-provided water and sewer services are above average. Gas and electric service adequately available. Advanced communication services available but weak in high-speed, high-capacity broadband.
	Minerals		•		No significant mineral wealth other than construction aggregates.
	Water			•	Large aquifer underlies the Mesilla Valley, a relative advantage in U.S. west. Neutral, though, due to current dry spell.
	Fertility	•			Mesilla Valley is very fertile and productive with a long growing season.
	Wind and Solar Energy	•			Consistently available resource.
Labor	Workforce size	•			Large, growing, relatively underused labor force that could easily and quickly expand to satisfy new opportunities.
	Educational level	•	•	•	Percentages of residents 25 and over with bachelor's and graduate degrees are above the national and state averages. Percentage of residents without a high school degree also higher than national and state averages. Upper level a strength, lower level a weakness, overall a neutral.
	Skills			•	Skills reflect educational levels. Large portion of labor force is bi-lingual in English and Spanish. A broad network of workforce training organizations is present in Las Cruces.
Capital			•	•	A former possible weakness is somewhat neutralized by global nature of capital and capital markets. See note below under weaknesses.
Transportation				•	All modes of transport are available. Roads and streets are adequate; traffic congestion but no gridlock. All parts of the city have easy access to interstate highways. No regular air passenger service to Las Cruces.
Technology		•			High-tech infrastructure in place owing to presence of the university, defense systems test and research at WSMR, space systems test and research at NASA facility, and businesses which contract with Defense Dept. and NASA.
Taxes		•		•	Property tax is in low range nationally, state income tax above national average, gross receipts (or sales) tax is low to middle range. GRT on services has negative effect.

### 3.2 Strengths

- Land

Property for commercial and industrial development is plentiful, open, and affordable from small lots to large tracts. The city-owned West Mesa Industrial Park has an excellent location on Interstate Highway 10, all utilities are available, and any size industrial property need can be accommodated.

The soil in the Mesilla Valley is very fertile. The climate with mild winters provides a long growing season. Farm cash receipts for Dona Ana County farmers in 2001 were \$302 million, second among New Mexico counties.

The Las Cruces/Dona Ana County area has an abundance of potential renewable energy from wind and sun.

The Mesilla Bolson is a deep aquifer which extends down the entire length of the Mesilla Valley. (However, the current dry spell and its uncertain length introduce ambiguities and tend to neutralize a relative strength in the generally dry western U.S.)

- Labor

Certain characteristics of Las Cruces—size (second largest in New Mexico), presence of a major university, proximity of White Sands Missile Range, population growth—color a work force that is well-educated, trainable, plentiful, with a high-proportion that is bi-lingual in English and Spanish and hungry for economic improvement.

The proportion of the population age 25 and over with bachelor's degrees or higher is four percentage points higher in Las Cruces (28.4) than for the U.S. (24.4) and five percentage points higher than in New Mexico (23.5). —Census 2000.

- Technology

There is a strong core of high-technology expertise in research and application at White Sands Missile Range, NASA White Sands Test Facility, New Mexico State University, and the Physical Sciences Laboratory at NMSU. White Sands Missile Range provides test, evaluation, research, and other technical services to the Army and Department of Defense acquisition programs. White Sands Test Facility (WSTF), located just northeast of Las Cruces, has been a part of the NASA Johnson Space Center since its construction in 1963 and provides expertise to test and evaluate spacecraft materials, components, and rocket propulsion systems. The recently-created High Tech Consortium of Southern New Mexico, an association of local businesses deploying advanced technology, signifies the increasing presence and importance that high tech companies are taking in the Las Cruces economy.

- Education

New Mexico State University is the land-grant college in the state with its main campus in Las Cruces. The university offers undergraduate and post graduate programs in many disciplines several of which enjoy wide reputations for excellence, for example engineering, agriculture, accounting, computer sciences, mathematics, and physics.

Dona Ana Branch Community College offers a variety of continuing education and associate degree programs which are responsive to the needs of the work place and local residents.

- Transportation

Surface: Las Cruces sits at the junction of Interstate Highways 10 and 25. IH-10 is the major east-west highway across the southern U.S. IH-25 is a major north-south highway through the Rocky Mountain states. Both highways generally follow traditional trade routes, the north-south Camino Real and the east-west Butterfield Stage Trail.

Rail: Burlington Northern and Santa Fe tracks run through Las Cruces; the Union Pacific crosses southern Dona Ana County. A major switch yard in El Paso connects with other parts of the U.S. and with Mexico.

Air: The City of Las Cruces owns and operates the Las Cruces International Airport located at the West Mesa Industrial Park. The airport can handle aircraft as large as a Boeing 737 or 120,000 pounds. (Air passenger service has been available at the airport in the past, but currently is not.)

- Community Leadership

There are several active organizations which support business activity and promote business development: Mesilla Valley Economic Development Alliance, Greater Las Cruces Chamber of Commerce, Hispano Chamber of Commerce of Las Cruces, Las Cruces Home Builders Association, High Tech Consortium of Southern New Mexico, Office for Space Commercialization, New Mexico State University Southwest Technology Development Institute, Small Business Development Center, and, not least, the Las Cruces City Council.

The Mesilla Valley Economic Development Alliance is the preeminent economic development organization, chiefly responsible for marketing and recruiting businesses to expand or locate operations in the Las Cruces/Dona Ana County area. The organization is a public-private partnership with members representing local governments, federal and state institutions, non-profit business organizations, and private businesses.

Las Cruces is an active, participating member of the South Central Council of Governments. The council maintains a regional, multi-county, economic development plan and assists member governments in obtaining federal and state funds for projects that support economic development.

### **3.3 Weaknesses**

- A note on local financial capital.

In the past, business financing may well have been a local weakness; locally-owned financial institutions were pre-eminent in the local market and lending capacity was largely limited to the resources of local depositors and investors and to conservative lending guidelines. In the past dozen or so years, the banking industry has experienced extraordinary consolidation with the result that many of the major national financial institutions have significant operations in Las Cruces. Venture capital is available from New Mexico-based firms, primarily located in Albuquerque. Loan programs of the Small Business Administration are accessible with the help of a Small Business Development Center located in Las Cruces. The growth and reach of the internet brings the possibility of raising financial capital from institutions which are geographically distant. These developments have marginally neutralized past financial limitations. In sum, the local capital market should not be a debilitating weakness.

Nonetheless, problems remain. 1) New Mexico venture capital tends to focus on the northern part of the state which encompasses the largest city, Albuquerque, and the state

capitol, Santa Fe. 2) Business lending decisions by national institutions and corporate managers are further removed from local knowledge and locally-centered goals and interests. 3) Available business financial capital is skewed toward home-building and retail trade. 4) National banks and retailers, headquartered elsewhere, are as likely to drain local capital as to supply it.

- Few ready-to-occupy industrial buildings. Many business site selectors cite this problem as a serious drawback despite other advantages of Las Cruces.
- Entry level labor force: percentage of residents without a high school diploma is higher than in New Mexico and the U.S.
- Very dry climate susceptible to drought. Annual precipitation has been below the long-term average for the past five years causing drastic drops in area water storage reservoirs and reducing aquifer recharge by the river. Droughts have been cyclical in the past.
- Lagging economy overly dominated by government and retail trade.

**3.4 Opportunities-Threats Table**

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Maquiladora manufacturing plants in Mexico need to have supplier companies nearby.</li> <li>• Advancing aerospace technology will have need of a developed spaceport.</li> <li>• Food market continues to need higher value-added food processing capability.</li> <li>• Weak dollar provides advantages to firms exporting U.S. goods and services.</li> <li>• Continuing population growth in Las Cruces.</li> <li>• Renewable energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive global economy improves attraction of cheaper labor markets elsewhere.</li> <li>• Dry climate susceptible to periods of prolonged drought.</li> <li>• Rising health care costs have dramatic effect on small businesses and on local governments.</li> <li>• Federal budget deficit and effect on a local economy with large government share.</li> <li>• Periodic threat of reduction or closing of WSMR.</li> <li>• Economic development competition from other U.S. regions and cities.</li> </ul>

**3.5 Opportunities**

- Advances in aerospace technology which make feasible orbital and suborbital flight by reusable space launch vehicles with a potential for commercial application. Altitude, sparse population, the expertise at White Sands Missile Range, the NASA Test Facility, and the Physical Sciences Laboratory at New Mexico State University provide Las Cruces and Dona Ana County location advantages for a future “spaceport” for the takeoff and landing of space flights.

- The downturn in manufacturing for maquiladora plants has reversed and is in recovery. The maquilas are applying pressure on supplier companies to move their operations into Mexico or on the border nearer to the assembly facility. There are 26,000 U.S. suppliers and they have shown growing interest in a Las Cruces area location.
- Local agricultural commodity production is sufficient to support additional value-added food processing facilities.
- The value of the dollar has declined relative to foreign currencies since the third quarter of 2001. A weak dollar strengthens the global competitiveness of U.S. goods and services for export and should strengthen the locally important maquiladora industry. However, currency exchange rates can be volatile and the downward trend in the dollar value could easily reverse in the future.

### **3.6 Threats**

- Federal budget deficit—with the importance of federal government spending in New Mexico, through direct spending and through grants-in-aid, the effect of any federal government domestic spending reductions would be significant in New Mexico and in Las Cruces.
- Given the unique capacities and capabilities of White Sands Missile Range, it is not reasonable to foresee its closure. But, periodically, the federal government evaluates Defense Department facilities for base reductions. Should operations cease at WSMR the impact on the Las Cruces economy would be severe.
- Cheap labor markets in southeast Asia and China.
- Drought and resulting stresses on water supply systems and on agriculture.

The matrix table on the next page with strengths and weaknesses in columns and with opportunities and threats in rows provides a succinct view of the SWOT analysis. The table is an aid to considering various strategies.

- Strength-Opportunity alternatives (good fit between internal strength and external opportunity)
- Weakness-Opportunity alternatives (overcome weaknesses to pursue opportunities)
- Strength-Threat alternatives (use strength to reduce external threat)
- Weakness-Threat alternatives (defensive; prevent susceptibility of local weakness to external threat)

**3.7 SWOT Matrix**

		<b>INTERNAL</b>	
		<p><u>Strengths</u></p> <ul style="list-style-type: none"> <li>• Land: plentiful, affordable, open</li> <li>• West Mesa Industrial Park</li> <li>• Water</li> <li>• Work force size</li> <li>• High end of work force</li> <li>• Location near border with Mexico</li> <li>• Location advantage for spaceport: altitude, sparse population, WSMR</li> <li>• Health care by providers and number of employees.</li> <li>• Agriculture.</li> <li>• Sun and wind.</li> </ul>	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> <li>• Few available buildings suitable for industry.</li> <li>• Low end of work force.</li> <li>• Local capital available for industrial development.</li> </ul>
<b>E X T E R N A L</b>	<p><u>Opportunities</u></p> <ul style="list-style-type: none"> <li>• Maquiladora manufacturing plants in Mexico need to have supplier companies nearby.</li> <li>• Advancing aerospace technology will have need of a developed spaceport.</li> <li>• Food market continues to need higher value-added food processing capability.</li> <li>• Weak dollar provides advantages to firms exporting U.S. goods and services.</li> <li>• Continuing population growth.</li> <li>• Renewable energy.</li> </ul>	<p><u>Strength Opportunity Alternatives</u></p> <ul style="list-style-type: none"> <li>• Land, location, laborforce with the need for maquila supply companies to be on border.</li> <li>• Land, location, and technology infrastructure to support a developing spaceport.</li> <li>• Land, laborforce, and local ag production with potential for value-added food processing.</li> <li>• Wind and solar energy generation.</li> </ul>	<p><u>Weakness Opportunity Alternatives</u></p> <ul style="list-style-type: none"> <li>• Explore ways of constructing "spec" industrial buildings.</li> <li>• Workforce training which matches worker skills with high-tech industry needs.</li> <li>• Use public resources to partly offset weakness in capital market.</li> </ul>
	<p><u>Threats</u></p> <ul style="list-style-type: none"> <li>• Competitive global economy and cheaper labor markets elsewhere.</li> <li>• Dry climate susceptible to periods of drought.</li> <li>• Rising health care costs, effect on small businesses and local governments.</li> <li>• Federal budget deficit and cuts in domestic spending.</li> <li>• Periodic threat of reductions or closing of WSMR.</li> <li>• Economic development competition from other U.S. regions and cities.</li> </ul>	<p><u>Strength Threat Alternatives</u></p> <ul style="list-style-type: none"> <li>• Apply strengths to economic diversification to reduce reliance on government spending.</li> <li>• Attract businesses that are low-volume water users.</li> <li>• Advantage of local technology infrastructure to counteract cheap labor.</li> <li>• Convergence of WSMR, NASA test facility, and proposed spaceport to reduce base realignment threat to WSMR.</li> </ul>	<p><u>Weakness Threat Alternatives</u></p> <ul style="list-style-type: none"> <li>• The one threat subject to local control is competition from other cities and regions. A good, proactive economic development program is necessary and may be sufficient given some of the strengths of Las Cruces.</li> <li>• Incorporate economic development strategies in addition to business attraction-retention.</li> </ul>

### 3.8 Local Economic Problems

- Brain drain
- Low average salary (relative to the U.S.)
- Low (relative to the U.S.) labor force participation rate
- High (relative to the U.S.) unemployment rate
- Insufficiently diversified economy reliant on retail trade and government spending

The problems are inter-connected and are reflections of the local economic picture. One unfortunate problem is sometimes referred to as a brain drain; our young people upon completing their educations leave the area for more exciting and rewarding economic locales. Young people may well leave anyway to explore the world and test themselves in different environments, but the reality is that the local economy insufficiently provides those rewarding and challenging opportunities that would persuade young graduates to stay.

The low labor force participation rate and high unemployment rate reflect an insufficiently vibrant economy which neither provides enough opportunity to overcome discouragement of job seekers nor enough jobs to employ those who are, by definition, willing, able, and looking. Labor force participation (persons age 16 and over working or looking for work) in Las Cruces was lower in 2000 than it was in 1990. The participation rate of males declined by six percentage points, from 71.3 percent to 65.6 percent while the female participation rate improved two points to 56.1 percent. Overall, the labor force participation rate was down to 60.6 percent which is over three points below the U.S. participation rate. For the eight-year period from 1995 to 2002, the unemployment rate in Dona Ana County averaged 3.2 percent higher than the unemployment rate for the U.S.

The average salary for Dona Ana County is ten years behind the U.S. and five years behind New Mexico. The average salary in Dona Ana County in 2002 is the same as in the U.S. in 1992 and in New Mexico in 1997. The gap has increased over the 1992 to 2002 period. In 1992, the average salary in Dona Ana County was 73 percent of the U.S. average; in 2002 it was 68 percent.

The relatively large (relative to the U.S.) government and agriculture sectors stabilize the local economy. Government jobs are, relatively, well paying. Agriculture rewards the proprietors, or farmers, but not, generally, the laborers. Other large sectors, retail trade and services are, broadly, low-paying. None of these sectors, important as they are, has the capacity to drive the local economy to a satisfactorily improved performance.

Labor force participation rate, age 16 and over	Census 1990		Census 2000	
	Las Cruces	United States	Las Cruces	United States
Total	62.7%	65.3%	60.6%	63.9%
Male	71.3%	74.4%	66.3%	70.7%
Female	54.7%	56.8%	55.6%	57.5%

Source: U.S. Census Bureau.

Unemployment rate	Census 1990	Census 2000
Las Cruces	8.9%	8.4%
United States	6.3%	5.8%

Source: U.S. Census Bureau.

### 3.9 Projections

The projections in the table below are simple, straight-line calculations with these assumptions: the population grows twenty percent over ten years; the proportion of the population age 16 and over remains the same; the participation rate of the population 16 and over in the labor force remains the same; and the unemployment rate of the labor force remains the same.

Las Cruces	2000	2010	2020
Population	74,264	89,120	104,716
Population age 16 and over	57,610	69,134	81,233
In labor force	34,935	41,924	49,260
Employed	31,866	38,241	44,933

Source for 2000 data: US Census Bureau, Census 2000.

With those assumptions and no other changes, employment will increase by 6,400 between 2000 and 2010. All else remaining the same, 6,400 jobs will have to be created for additional population growth. However, it can be said in another way that normal, expected growth will produce an additional 6,400 jobs between 2000 and 2010 in Las Cruces. Such a result, unfortunately, leaves the unemployment rate and participation rate at unsatisfactory levels, the same levels as in 2000. Additional jobs above the number created by normal, natural growth will have to be created by some intervention (or good fortune) for the unemployment rates to decrease.

Las Cruces	2000-2010	2010-2020
Additional employment with no change in labor force participation rate (60%, Census 2000) nor unemployment rate (8.4%, Census 2000)	6,401	6,720
Annual average new jobs over the decade	640	672
Additional employment with improvement in labor force participation rate to 63% and improvement in unemployment rate to 6%	6,825	7,165
Annual average new jobs over the decade	683	717

The table shows that normal growth can be expected to create between 600 and 700 new jobs on average annually given the assumptions noted above. Improving the labor force participation rate three percentage points and lowering the unemployment rate to six percent calls for an additional 400 new jobs over ten years above the “natural” increase. Attributing the cause of job growth to normal economic expansion or to economic development may be problematic. But clearly, if economic development creates new jobs at the margin of normal economic growth in the range of 50 to 100 new jobs annually, the local economy will see improvement in opportunity and should see a decline in unemployment rates.

## **Section 4 Goal Statement and Goal Objectives**

The goal statement underlies the whole program. The goal objectives and the strategies derive from the goal statement. Goals provide the benchmark of success for program evaluation. If and when ambiguities or questions of interpretation arise during program operation, the goal statement can be reviewed for clarification.

### **4.1 General Guiding Principles**

The guiding principles of the Las Cruces economic development plan are 1) to create a local economy with ample opportunity to entice young people to stay, 2) to entice those who have left to come back, 3) to encourage those members of the community who are eligible to participate in the workforce but do not, and 4) to qualitatively alter and diversify the local economy toward industries and businesses that develop and use advanced technology with the expectation that such diversification will sustain local economic growth into the future.

- Strive to develop an economy such that young people, discouraged workers, and the unemployed have the option of finding challenging and rewarding jobs and the potential for creating businesses.
- Strive for a local economy such that residents of the Las Cruces area who have left to explore the world and, having done so, want to return to Las Cruces, whether to raise families or otherwise contribute to the community, can do so without facing the economic obstacle of few jobs at relatively low salaries.
- Diversify the local economy by focusing on industries with long-term growth potential and above average paying jobs—industries that hold the promise of helping drive the Las Cruces economy in the long term such as aerospace, professional and technical services, supplier companies to the maquiladora manufacturing industry, health care, and value-added agricultural food processing.

### **4.2 Goal Statement**

The purpose of the local economic development program is to create a dynamic local economy with increasingly abundant and rewarding employment and investment opportunities for all Las Cruces residents and an economy progressively diversified toward sectors and industries that are near the leading edge of technology, likely to thrive into the future, and likely to provide competitive rates of return to employees and investors.

#### **4.2.1 Key points:**

- Cities and businesses have economic roles; cities are the locale of markets—labor, capital, consumption end markets; businesses create goods and services for various markets; appropriate partnerships can yield mutual benefits.
- Public resources can reduce cost or risk to private business; working together public goals can be achieved.
- Las Cruces has limited funds; those diverted to economic development must have a high probability of success and a low probability of loss.
- Given a rapidly growing population, all new jobs are valuable.

- Given low income levels, new jobs that pay above the average salary are valued at a premium.
- Keeping local expanding businesses in Las Cruces is a priority.
- All else being equal, companies that operate in sectors and industries with likely long-term growth potential are preferred.
- “Sustainability” is a desired element of appropriate and successful economic development. (Sustainability implies that economic development goals are achieved in a manner that does not lessen the ability to achieve the same goals in the future.)
- Appropriate and successful economic development should have a beneficial effect on “quality-of-life” factors that are important to residents of Las Cruces.

## **4.3 Goal Objectives**

### **4.3.1 Quantitative**

- Attract fifteen million dollars in new business investment annually.
- Create 150 to 200 new jobs annually.  
Reduce the level of unemployment; improve labor force participation rate; improve opportunities for young people entering the labor force; improve opportunities for low-income individuals.

### **4.3.2 Qualitative**

- Increase the average annual salary by one percent greater than the inflation rate (CPI-U) annually.  
Entice young people just graduating or just entering the labor force to remain in the community; improve labor force participation rate; improve opportunities for low-income individuals.
- Diversify by developing industry clusters.  
Diversify the economy in likely sectors (aerospace, high technology, professional and technical services, value-added agricultural processing, supplier businesses to maquiladora manufacturers); jobs in preferred clusters help raise the average salary level; promotes self-sustaining growth into the future. For example, the spaceport—take-off, landing, and re-launch of orbital and sub-orbital space vehicles—is speculative but has such a monumental potential payoff that it could drive growth locally for decades.

## Section 5 Overall Program Strategy

The intent and guidance provided by the New Mexico Local Economic Development Act implies that the overall strategy will be to attract and to retain private businesses which create new jobs. This particular overarching strategy centers on the capacity of Las Cruces to provide incentives to business firms. The incentives are in the form of municipally-owned resources, municipally provided services, and financial incentives which are at the discretion of the City of Las Cruces. An economic development project is a partnership which combines public resources and private investment and achieves the goal objectives of the local economic development plan.

Quantitative objectives call for identifying and persuading business firms to expand and locate in Las Cruces in order to create jobs. Qualitative objectives call for identifying companies in desirable industries and persuading them to expand or locate in Las Cruces. Companies in desired industries expanding or locating in Las Cruces are anticipated to diversify the economy and to compensate employees with above average salaries. Start-up businesses with strong proposals will be considered for participation in the program.

The preferred clusters are aerospace, high technology, advanced business and financial services, maquila suppliers, and value-added food processing. Broadly by NAICS code:

2002 NAICS Code	2002 NAICS Title
31 - 33	Manufacturing
311	Food Manufacturing
332	Fabricated metal product manufacturing
334	Computer and electronic product manufacturing
3364	Aerospace products and parts manufacturing
51	Information
54	Professional, scientific, and technical services

*Basic model*

*Public contribution plus private investment equals new jobs.*

*Preferred model*

*Public contribution plus private investment in desired industry clusters equals new jobs with above average salaries.*

### 5.1 Plan Strategies

The basic overall strategy consists of encouraging businesses to expand and to locate in Las Cruces by using public resources as leverage to increase business investment. The City of Las Cruces will offer incentives of material value to reduce cost or risk to private business in return for investment by the business in an operational facility and the creation of new jobs. The facility must be located in Las Cruces.

The alternatives from the SWOT matrix are repeated below.

Strength-Opportunity	Weakness-Opportunity	Strength-Threat	Weakness-Threat
Use strengths in land, location, and certain workforce characteristics to pursue companies in:	Encourage construction of speculative industrial buildings.	Diversify to reduce reliance on government spending	Improve incentives as needed to compare favorably with the competition, other cities and regions.
Maquila manufacturing supply	Promote workforce training which matches worker skills and high-tech business needs.	Attract businesses that are low-volume water users.	Devise economic development strategies in addition to attraction-retention of businesses.
Value-added food processing	Use public resources to partly offset weakness in local capital market.	Convergence of proposed spaceport with WSMR and NASA test facility to reduce base realignment threat to WSMR.	
High technology manufacturing and services			
Aerospace and spaceport			
Solar and wind energy generation.			

Combining the overall program strategy with the SWOT alternatives and the goal objectives generates three plan strategies:

1. Retain local expanding businesses, particularly in preferred industry clusters.
2. Attract businesses, particularly in preferred industry clusters, to locate to Las Cruces.
3. Partner with start-up businesses, particularly in preferred industry clusters, with strong proposals will be considered for assistance.
4. Encourage, and possibly participate with, developers to construct “spec” industrial buildings that can be occupied in a short time.

Retention-Attraction

The first two strategies are essentially the same and can be considered as one. The only difference is an emphasis on keeping local, successful and growing businesses in Las Cruces. A key step in implementation is marketing the program to businesses.

The Mesilla Valley Economic Development Alliance (MVEDA), the local public-private partnership organization created specifically for economic development, already operates an attraction-retention program to promote Dona Ana County, including Las Cruces. MVEDA has a marketing plan in place and advertises with a variety of techniques. Through its broad membership, MVEDA has active information on the needs of the local business community which includes the needs and identifies of local expanding businesses. The City of Las Cruces will avail itself of MVEDA to take the lead role for marketing and initial identification of likely businesses to participate in the program.

The other tasks for implementing the strategy will be undertaken by the City of Las Cruces. The city manager, which includes by operational definition the entire city staff, performs all other strategic tasks. All economic development projects and the commitment of public resources require City council approval.

The table below establishes the main tasks and responsibilities for implementing the attraction-retention strategy.

**Activity Outline**

What	Who	When	How
Approving and adopting the 2004 Las Cruces Local Economic Development Plan	City Council	Target date: August 1, 2004	Advertising an ordinance of adoption, conduct public hearing at a regularly scheduled city council meeting with adoption at next regularly scheduled council meeting.
Marketing	MVEDA, City of Las Cruces	Continuous	Media advertising, web sites, trade show presentation, notices to site selectors.
Follow-up: Identifying and contacting companies	MVEDA, City of Las Cruces	Continuous	
Application for assistance under the program	Private business	At any time.	
Review and evaluate application	Evaluation committee	Upon receipt of application.	
Initiating preliminary project design	MVEDA, City Manager, private business	Following a favorable evaluation of the application.	
Negotiating incentives and scope of project.	City Manager, private business	Upon favorable evaluation.	
Defining project	City Manager, MVEDA, Private business		
Approving project	City Council		By ordinance at regularly scheduled council meeting.
Project participation agreement	City Manager, City Council, Private business		
Approving project participation agreement	City Council		
Implementing	City Manager		
Management	City Manager		
Evaluation	City Manager		

Construct “spec” building strategy

Build on current relationships with developers to construct suitable buildings on sites in priority areas of the City for quick occupation by an industrial firm. This is a speculative strategy and great care with assurances and investment safeguards will have to be taken to protect any investment Las Cruces may make. Las Cruces, by implementing the authority of the Local Economic Development Act, will be able to perform many of the pre-construction activities including surveying, site preparation, installing utilities and front some “soft” costs such as environmental assessment, appraisal fees, and some legal costs as well as supplying funding for construction. The major issue facing Las Cruces is the probability that the “spec” building will be occupied in a very short time; occupied and in operation with new jobs for the local work force.

## 5.2 Qualifying Entities

Adhering to the definition supplied in the Local Economic Development Act and reproduced above on pages four and five, a qualifying entity for economic development project assistance can be any of the standard forms of business organization and with few exceptions can operate in any industry except retail trade.

## 5.3 Qualifying economic activities

- Manufacturing, processing, or assembling of agricultural or manufacturer products.
- Storing, warehousing, distributing products of agriculture, mining, or industry.
- Supplying of services to the general public or to governmental agencies or to a specific industry.
- Telecommunications sales with majority of sales to persons outside New Mexico.
- A business that is the developer of a metropolitan redevelopment project.

(Refer to Section 1.2, page five; retail sales and public utilities services are not, broadly, qualifying activities.)

## 5.4 Las Cruces Resources Available for Economic Development Project

Private investment will likely be some combination of equity and loans and other commitments to Las Cruces. Public contribution or support for an economic development project shall be provided in exchange for a substantial contribution from the qualifying entity. Public contribution can include public resources, services, and financial incentives.

### 5.4.1 Resources

- Land
- Buildings
- Infrastructure
  - Water, sewer, and gas service
  - Roads and streets

### 5.4.2 Services

- Engineering, architectural, legal, appraisal, environmental assessment
- Liaison with state economic development programs and services
- Job training assistance

### 5.4.3 Financial Incentive

- Property tax abatement
- Infrastructure hook-up fees
- Cash grants
  - General Fund
  - Program funds from private donation and any revenue derived by the program

## 5.5 Criteria of Eligible Project

- Private business must be an eligible applicant.

- Purpose of project must be eligible activity.
- Project must result in new jobs which are intended to be permanent. Project construction jobs do not count as new jobs; the cost of construction is part of the private business investment.
- Project financing leverage: at least three private dollars to one public dollar.
- One new job for up to \$30,000 in assistance from Las Cruces.
  - One job means one full-time equivalent position

Public investment per new job	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
New jobs for each \$1million in Las Cruces assistance	100	67	50	40	33

- The project must be completed within two years.
- The project must be located within the Las Cruces city limits.
- The project must comply with all applicable local, state, and federal rules and regulations.

The value of the incentives Las Cruces offers will be given in dollar terms. In general, the better, more valuable incentives will go to projects creating jobs in the preferred industry clusters and which create above-average salary jobs. The better projects can be rewarded with greater assistance per job or with a lower leverage ratio. Maximum of Las Cruces assistance for all projects in any one year is five percent of the general fund budget. In the first year of the program, 2004, the maximum is approximately \$2.75 million.

## Section 6 Application Procedure

A qualifying entity may apply to the City of Las Cruces to participate in an economic development project at any time. The City will provide the requirements for submitting an application. A completed application should be submitted to the city manager.

- Qualifying entity may apply at any time
- Application form and information requirements will be supplied by the City.
  - The City will also supply the applicant with the evaluation scheme that is in effect at the time of the request.
- Application review and evaluation will occur in order received.

### 6.1 Economic Development Project Application

A qualifying entity interested in participating with the City of Las Cruces in an economic development project may apply at any time. The business should submit to the city manager a completed application form supplied by the city. The application will contain information to help the City evaluate

- applicant’s financial strength,
- applicant’s management capability,
- applicant’s commitment to the community,
- the feasibility of the proposed economic development project, and
- the benefit to the City from the project.

Information required in the application will include company information, ownership, operational profile, financial information, and project information. Additional information may be required as determined by the City. The required information is listed on the application form. The City may require additional information for its evaluation of the project.

**6.1.1 Confidentiality**

At the request of the applicant, the City will take reasonable measures to protect the confidentiality of sensitive business information specifically identified as such by the applicant. Upon receipt of an application, the city will assign a case number to the application for identification during preliminary consideration of the project.

**6.2 Application Review and Verification**

The City of Las Cruces will review and evaluate an application for an economic development project as soon as possible. The City Council or the city manager may appoint a committee to evaluate the application and verify the information contained in it. Until then, evaluation will be conducted at the direction of the city manager.

The review will verify that the applicant is a qualifying entity and that the proposed project is a qualifying activity. If not, further review will be unnecessary.

The review will determine that the proposed project is compatible with the local economic development plan and will aid Las Cruces in achieving its economic development goals and objectives. Incompatibility may be sufficient to reject the application.

The review will verify the accuracy of the information contained in the application.

The review will evaluate the financial strength of the applicant and the management capability of the applicant.

The review will assess the feasibility of the proposed project.

The review will evaluate the benefit to Las Cruces from the project.

The review will include a cost-benefit analysis.

The reviewers will attempt to evaluate objectively; however, some elements of the evaluation will require the use of subjective judgement. The reviewers may devise and use an evaluation matrix such as the table proposed below to promote an objective review and evaluation of the application. At the time a qualifying entity requests application materials, the City will supply its current application and project evaluation scheme.

**Evaluation Table**

		Possible points	Applicant points
Management capability	Judgement based on operating history, business plan, and discussion of the proposed project.	5	
Financial strength	Judgement based on financial statements, tax returns, financial projections. Ratio analysis and industry standards used as baseline.	5	
Applicant's commitment to Las Cruces	Judgement based on the application.	5	
Project feasibility	Probability assessment.	5	
Industry	Targeted industry cluster, high technology	5	
	Targeted industry cluster, other	3	
	Other industry	1	
Average salary <sup>1,2</sup>	Above average salary	5	
	Range of 20 percent below average salary to same as average salary	3	
Benefits including health and retirement plans	Points awarded at discretion of evaluation committee depending on level and breadth of benefits provided	5	
Hiring period	100 percent at end of two years	5	
	100 percent at end of three years	3	
Local hiring	50 percent of new jobs to Las Cruces residents	5	
	25 percent of new jobs to Las Cruces residents	3	
Locally owned	Preference points for locally owned businesses	4	
Hiring laid off workers from a local plant closing or force reduction.		3	
Locating facility in a city priority area for business development.		3	
TOTAL		55	
<p><sup>1</sup> The average annual salary for Dona Ana County provided by the U.S. Bureau of Economic Analysis. In 2002, the most recent data from BEA, the average annual salary for the county is \$24,555. Twenty percent below the average is \$19,644, the equivalent of \$9.44 per hour.</p> <p><sup>2</sup> Average salary can be calculated for the project by dividing the total projected annual payroll by total projected jobs created by the project.</p>			

A good, solid project application should easily score at least twenty-five points on the above scheme.

**6.2.1 Project Cost/Benefit Analysis Framework**

The evaluation will include a cost-benefit analysis of the proposed project. The direct cost will be the value of Las Cruces' contribution to the project. The direct benefits to the city will be the increase in tax revenue: gross receipts tax (the local portion of the GRT) paid on services, equipment, and supplies purchased in Las Cruces by the applicant; gross receipts tax on

the additional payroll which purchases goods and services in Las Cruces; gross receipts tax which can be traced to the multiplier effect of the additional payroll; and additional property tax due to Las Cruces. Benefits will be calculated for a seven year period beginning with execution of the project participation agreement. A number of indirect benefits may be considered including additional tax revenues to the local school district and the county and the state, support for community cultural and social organizations, career improvement for local residents, and so forth.

Costs = City of Las Cruces participation in project; value of costs calculated to a net present value over a seven-year period.

Benefits = GRT (local portion) paid on services and supplies purchased in Las Cruces by the participating business; GRT derived from portion of payroll spent in Las Cruces; additional property tax paid to City. Plus indirect benefits as determined by the City and as may be appropriate depending on the type of project and the community commitment of the applicant.

Benefits calculated to a net present value over a seven-year period. As benefits will come in a stream, the calculation will be similar to determining the net present value of an annuity.

- Costs – net present value for seven year period.
- Benefits – net present value calculated over seven year period.
- Discount factor – current government borrowing interest rate.
- Benefits should equal or exceed costs. (Benefits divided by costs equal to or greater than one.)

## **Section 7    Safeguards**

The review and evaluation of the application guided by prudent lending practices will provide the foundation for safeguarding public resources. However, the City will require formal security instruments to safeguard public resources and indemnify the City from loss if the qualifying entity ceases operation, relocates or otherwise defaults or reneges on its contractual or implied obligations to the City. The security shall secure the qualifying entity's obligations based on terms stated in the project participation agreement and shall reflect the amount of public support provided to the qualifying entity and the substantive contribution expected from the qualifying entity.

The City of Las Cruces shall retain a security interest to protect its investment. The type of security will depend on the type of project and the type of assistance provided by the City. The type of security may include but not necessarily be limited to:

1. Letter of credit in the City's name;
2. Performance bond equal to the City's contribution to the project;
3. A mortgage or lien on property or equipment;
4. Pro-rated reimbursement of City's contribution should the company reduce the work force or leave the community prior to the agreed-upon term;
5. Various forms of insurance;
6. Personal guarantees by principles;
7. Other security agreeable to both parties.

## **Section 8 Approval of Economic Development Project**

An approved application and the conclusion of any necessary consultation and negotiation between the City and the applicant results in an economic development project. Final approval of an economic development project rests with the City Council. The City Council shall approve each economic development project by ordinance.

## **Section 9 Project Participation Agreement**

Following an evaluated and approved application, the City and the applicant will develop a project participation agreement. The agreement is the formal document that sets out the contributions and obligations of both parties to the economic development project. The economic development project requires approval by ordinance of the Las Cruces City Council. The City Council will approve the project participation agreement. The project participation agreement will include but not be limited to the following items:

1. The economic development goals of the project;
2. The contributions to the project of the City and of the qualifying entity;
3. Schedule for project development and completion;
4. Measurable performance objectives;
5. Performance review procedures and actions to be taken to correct unsatisfactory performance;
6. Security provided to the City;
7. Manner by which the project may be terminated and the City's investment may be recovered; and
8. The time period in which the City will retain an interest in the project.

## **Section 10 Plan Management**

The city manager will have responsibility for management of the local economic development plan. Management tasks include project oversight, setting up separate financial accounts to track the use of public funds for economic development projects, record keeping and reporting, and project evaluation.

### **10.1 Program Revenues**

All revenue derived from a project, reimbursements from unsuccessful or partially successful projects, and donations to the local economic development plan will be recorded and kept in a separate account.

## **Section 11 Plan Amendment**

As local conditions and the economic environment may endure changes and as implementation of the plan may reveal difficulties, the City Council may from time to time amend the local economic development plan by approval at a regularly scheduled meeting.

## **Section 12 Termination**

At any time after approval of the local economic development plan, the Las Cruces City Council may enact an ordinance terminating the local economic development plan and dissolving or terminating any or all projects. An ordinance repealing the local economic development plan

shall not be effective unless the ordinance provides for satisfying existing contracts and the rights of the parties arising from those contracts.

Any unexpended and unencumbered balances remaining in any project fund or account upon repeal of the plan and termination or dissolution of a project may be transferred to the general fund.

### **Section 13 Legislative Updates**

As provided for by adoption of HB606 effective July 1, 2007:

**Section 5-10-2 NMSA 1978** is incorporated herein

B. The purpose of the Local Economic Development Act is to implement the provisions of the 1994 constitutional amendment to Article 9, Section 14 of the constitution of New Mexico to allow public support of economic development to foster, promote and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. Further, the purpose of that act is to allow municipalities and counties to enter into joint powers agreements to plan and support regional economic development projects, including investments in arts and cultural districts created pursuant to the Arts and Cultural District Act."

**Section 5-10-3 NMSA 1978** is incorporated herein

DEFINITIONS.--As used in the Local Economic Development Act:

A. "arts and cultural district" means a developed district of public and private uses that is created pursuant to the Arts and Cultural District Act;

~~[A.]~~ B. "cultural facility" means a facility that is owned by the state, a county, a municipality or a qualifying entity that serves the public through preserving, educating and promoting arts and culture of a particular locale, including theaters, museums, libraries, galleries, cultural compounds, educational organizations, performing arts venues and organizations, fine arts organizations, studios and media laboratories and live-work housing facilities

~~[B.]~~ C. "department" means the economic development department;

~~[C.]~~ D. "economic development project" or "project" means the provision of direct or indirect assistance to a qualifying [business] entity by a local or regional government and includes the purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure; public works improvements essential to the location or expansion of a qualifying [business] entity; payments for professional services contracts necessary for local or regional governments to implement a plan or project; the provision of direct loans or grants for land, buildings or infrastructure; technical assistance to publicly owned cultural facilities; loan guarantees securing the cost of land, buildings or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax or the county infrastructure gross receipts tax; grants for public works infrastructure improvements essential to the location or expansion of a qualifying [business] entity; grants or subsidies to publicly owned cultural facilities; purchase of land for a publicly held industrial park or a publicly owned cultural facility; and the construction of a building for use by a qualifying [business] entity;

~~[D.]~~ E. "governing body" means the city council, [or] city commission [of a city, the] or board of trustees of a [town or village] municipality or the board of county commissioners of a county;

~~[E.]~~ F. "local government" means a municipality or county;

~~[F.]~~ G. "municipality" means an incorporated city, town or village;

~~[G.]~~ H. "person" means an individual, corporation, association, partnership or other legal entity;

[H.] I. "qualifying entity" means a corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two or more of the following:

- (1) an industry for the manufacturing, processing or assembling of agricultural or manufactured products;
- (2) a commercial enterprise for storing, warehousing, distributing or selling products of agriculture, mining or industry, but, other than as provided in Paragraph (5) or (6) of this subsection, not including any enterprise for sale of goods or commodities at retail or for distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;
- (3) a business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in Paragraph (5) of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;
- (4) an Indian nation, tribe or pueblo or a federally chartered tribal corporation;
- (5) a telecommunications sales enterprise that makes the majority of its sales to persons outside New Mexico;
- (6) a facility for the direct sales by growers of agricultural products, commonly known as farmers' markets; [øf]
- (7) a business that is the developer of a metropolitan redevelopment project; and
- (8) a publicly owned cultural facility; and

J. "regional government" means any combination of municipalities and counties that enter into a joint powers agreement to provide for economic development projects pursuant to a plan adopted by all parties to the joint powers agreement."

**Section 10. Section 5-10-5 NMSA 1978** is incorporated herein

ECONOMIC DEVELOPMENT DEPARTMENT--TECHNICAL ASSISTANCE.--At the request of a local or regional government, the department shall provide technical assistance in the development of an economic development plan or economic development project or technical assistance to cultural facilities with respect to economic development projects.

**Section 11. Section 5-10-6 NMSA 1978** is incorporated herein

ECONOMIC DEVELOPMENT PLAN--CONTENTS--PUBLICATION.--

A. Every local or regional government seeking to pursue economic development projects shall adopt an economic development plan or a comprehensive plan that includes an economic development component, and an economic development plan or comprehensive plan may include an analysis of the role of arts and cultural activities in economic development. The plan may be specific to a single economic development goal or strategy or may include several goals or strategies, including any goals or strategies relating to economic development through arts and cultural activities. Any plan or plan amendment shall be adopted by ordinance of the governing body of the local government or each local government of a regional government proposing the plan or plan amendment.

B. The economic development plan or the ordinance adopting the plan may:

- (1) describe the local or regional government's economic development and community goals, including any economic development goals with an arts and cultural component, and assign priority to and strategies for achieving those goals;

**Section 12. Section 5-10-9 NMSA 1978** is incorporated herein

C. The local or regional government may negotiate with a qualifying [business] entity on the type or amount of assistance to be provided or on the scope of the economic development project.

As provided for by adoption of HB352 effective July 1, 2013:

**Section 5-10-10 NMSA 1978** is incorporated herein

5-10-10. PROJECT PARTICIPATION AGREEMENT--DUTIES AND REQUIREMENTS.--

A. The local or regional government and the qualifying entity shall enter into a project participation agreement.

B. The local or regional government shall require a substantive contribution from the qualifying entity for each economic development project. Public support provided for an economic development project shall be in exchange for a substantive contribution from the qualifying entity. The contribution shall be of value and may be paid in money, in-kind services, jobs, expanded tax base, property or other thing or service of value for the expansion of the economy.

C. The qualifying entity shall provide security to each local or regional government, the state or any other New Mexico governmental entity providing public support to the economic development project. The security shall secure the qualifying entity's obligations based on terms stated in the project participation agreement with the local or regional government and shall reflect the amount of public support and substantive contribution expected. If a qualifying entity fails to perform its substantive contribution, the local or regional government shall enforce the project participation agreement to recover that portion of the public support for which the qualifying entity failed to provide a substantive contribution. The recovery shall be proportional to the failed performance of the substantive contribution and shall take into account all previous substantive contributions performed by the qualifying entity, based on the terms stated in the project participation agreement.

[~~C.~~] D. The participation agreement at a minimum shall set out:

- (1) the contributions to be made by each party to the participation agreement;
- (2) the security provided to [~~the local or regional government~~] each governmental entity that provides public support for an economic development project by the qualifying entity in the form of a lien, mortgage or other indenture and the pledge of the qualifying business's financial or material participation and cooperation to guarantee the qualifying entity's performance pursuant to the project participation agreement;
- (3) a schedule for project development and completion, including measurable goals and time limits for those goals; and
- (4) provisions for performance review and actions to be taken upon a determination that project performance is unsatisfactory.

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HOUSE BILL 352  
**51ST LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2013**

INTRODUCED BY  
Jason C. Harper and Timothy M. Keller

AN ACT  
RELATING TO LOCAL ECONOMIC DEVELOPMENT; REQUIRING SECURITY FOR  
STATE CONTRIBUTIONS TO LOCAL ECONOMIC DEVELOPMENT PROJECTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 5-10-10 NMSA 1978 (being Laws 1993,  
Chapter 297, Section 10) is amended to read:

"5-10-10. PROJECT PARTICIPATION AGREEMENT--DUTIES AND  
REQUIREMENTS.--

A. The local or regional government and the  
qualifying entity shall enter into a project participation  
agreement.

B. The local or regional government shall require a  
substantive contribution from the qualifying entity for each  
economic development project. Public support provided for an  
economic development project shall be in exchange for a

underscored material = new  
[bracketed material] = delete

1 substantive contribution from the qualifying entity. The  
2 contribution shall be of value and may be paid in money, in-  
3 kind services, jobs, expanded tax base, property or other thing  
4 or service of value for the expansion of the economy.

5 C. The qualifying entity shall provide security to  
6 each local or regional government, the state or any other New  
7 Mexico governmental entity providing public support to the  
8 economic development project. The security shall secure the  
9 qualifying entity's obligations based on terms stated in the  
10 project participation agreement with the local or regional  
11 government and shall reflect the amount of public support and  
12 substantive contribution expected. If a qualifying entity  
13 fails to perform its substantive contribution, the local or  
14 regional government shall enforce the project participation  
15 agreement to recover that portion of the public support for  
16 which the qualifying entity failed to provide a substantive  
17 contribution. The recovery shall be proportional to the failed  
18 performance of the substantive contribution and shall take into  
19 account all previous substantive contributions performed by the  
20 qualifying entity, based on the terms stated in the project  
21 participation agreement.

22 [~~G.~~] D. The participation agreement at a minimum  
23 shall set out:

24 (1) the contributions to be made by each party  
25 to the participation agreement;

.191576.4



Las Cruces Local Economic Development Plan ~~2004~~

Inserted: 2013

**Attachment "A"**

**City of Las Cruces  
New Mexico**

**Local Economic Development Plan ~~2004~~**

Inserted: 2013

**Prepared by**

South Central Council of Governments with City of Las Cruces, Las Cruces Ad-hoc Committee for Economic Development, and Mesilla Valley Economic Development Alliance.

**~~June 2004~~**

Inserted: September 2013

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Inserted: 2013

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## Summary

The Las Cruces Local Economic Development Plan 2004 implements the authority of the New Mexico Statute titled "Local Economic Development Act." The plan strengthens Las Cruces' economic development efforts by making certain public resources available for specific economic development projects. The plan is compatible with the goals and strategic plan of the Mesilla Valley Economic Development Alliance (MVEDA) and anticipates close cooperation and coordination with MVEDA. The plan is additive rather than duplicative of MVEDA's economic development activities.

The Las Cruces economy is growing. People are moving here from other parts of the state and country and from other countries. The city has become one of the Southwest's destinations for retirement living. Major national retailers, banks, and motels are building facilities in the city. Population growth and low interest rates have led to a sustained boom in new residential development and home construction.

The local economy has a stable base provided by government spending and hiring at all levels, the productive Mesilla Valley agriculture industry, and the retail spending Las Cruces attracts as an important regional shopping center. There is a growing high tech sector which draws strength from test and research activity at White Sands Missile Range and the NASA Test Facility and from research and teaching at New Mexico State University.

Still, compared to state and national averages, local unemployment rates are high and average salaries are low (as well as per capita and median household incomes) Labor force participation rates are low and declining which suggests many potential workers have become discouraged. Many young people graduating from high school and the university leave the area in search of better economic prospects.

The economic base consists largely of government, retail trade, and agriculture. The three industries have limited growth potential to significantly improve the local economy. (The exception is additional value-added processing of local agricultural commodities.) For significant improvement, the base will have to expand. The most likely areas are manufacturing and high-end services.

Economic development arises, in the main, from private business activity. Most economic activity occurs in cities, imparting to cities a general interest in economic development. The Las Cruces municipal government has a keen interest in the health of the local economy and the general welfare of Las Cruces residents. The methods available to local governments to develop the economy are generally limited.

However, the State of New Mexico has provided an economic development tool of substance with passage of the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978). The Act is the effective legislation following a voter-approved amendment to the "anti-donation clause" of the New Mexico Constitution, Article IX, Section 14, Subsection D, which authorizes the use by local governments of public resources for economic development purposes.

The City of Las Cruces Local Economic Development Plan is intended to implement the authority provided by the Act.

The important and significant difference for economic development proposed by this plan is this: The Act authorizes the City of Las Cruces to provide resources of value to individual businesses in an economic development project which results in new jobs. Before 1994, such assistance to a private firm or individual could have been in violation of the anti-donation clause. The resources Las Cruces may offer include land, buildings, infrastructure, financial incentives, and services associated with developing the land, buildings, and infrastructure. The Act limits the value of the assistance to five percent of the annual general fund expenditures in any one fiscal year. Neither the plan nor the statute provide additional funds; Las Cruces' share of economic development projects will derive from current revenue. The plan envisions that public benefits from economic development projects will equal or exceed public costs.

Five percent of the annual general fund, currently, is approximately \$2.75 million. As an example, that amount of Las Cruces assistance can leverage \$8.25 million in new business investment at a three to one ratio (three private dollars to one public dollar) and \$11.0 million in new investment at a four to one leverage ratio. In any year, \$2.75 million can induce the creation of one hundred to two hundred new jobs depending on the amount of public investment required for one job. Up to \$30,000 in public assistance may be offered for each job created depending on the strength and desirability of the project.

The intent and guidance provided by the Act implies that the overall strategy will be to attract and to retain private businesses which create new jobs. This particular overarching strategy centers on the capacity of Las Cruces to provide incentives to business firms. The incentives are in the form of municipally-owned resources, municipally provided services, provision for job training assistance, and financial incentives which are at the discretion of the City of Las Cruces. An economic development project is a partnership which combines public resources and private investment and achieves the goal objectives of the local economic development plan.

Quantitative objectives call for identifying and persuading business firms to expand and locate in Las Cruces in order to create jobs. Qualitative objectives call for identifying companies in desirable industries and persuading them to expand or locate in Las Cruces. Companies in desired industries expanding or locating in Las Cruces are anticipated to diversify the economy. New jobs in the desired industries are expected to raise the average salary level for employees in the local economy. Las Cruces will consider start-up companies with strong proposals for participation in an economic development project. Locally-owned businesses that are seeking to expand operations are given a priority.

The preferred industry clusters are aerospace, high technology, advanced business and financial services, other professional and technical services, maquila suppliers, and value-added food processing. Because it is essentially an attraction-retention strategy, the plan incorporates the goals of the MVEDA strategic plan. The Las Cruces plan takes advantage of and relies on MVEDA for marketing and recruiting, which MVEDA does well.

### Goal Statement

The purpose of the local economic development program is to create a dynamic local economy with increasingly abundant and rewarding employment and investment opportunities for all Las Cruces residents and an economy progressively diversified toward sectors and industries that are near the leading edge of technology, likely to thrive into the future, and likely to provide improved returns to employees and investors.

### Goal Objectives

- Quantitative objective—attract fifteen million dollars in new business investment annually.
- Quantitative objective—create 150 – 200 new jobs annually.
- Qualitative objective—increase the average annual salary by one percent greater than the inflation rate annually.
- Qualitative objective—diversify the economy by emphasizing development in preferred industry clusters.

### Strategy

- Use public resources (land, buildings, services, financial incentives) as enticements to keep expanding local businesses in Las Cruces and to encourage outside businesses to locate operations in Las Cruces.
- Basic model - Public contribution plus private investment equals new jobs.
- Preferred model - Public contribution plus private investment in desired industry clusters equals new jobs with above average salaries.

The local economic development plan has been prepared by the South Central Council of Governments by agreement with and under the direction of the City of Las Cruces. In addition to the city administration, valuable assistance has been provided by the Mesilla Valley Economic Development Alliance and the Las Cruces Ad-hoc Committee for Economic Development.

A public meeting was held on April 27, 2004 at City Hall. The meeting was advertised in the main section of the local newspaper, "Las Cruces Sun-News," in the Saturday and Sunday editions April 24 and 25. Flyers announcing the meeting were available at city hall, the Branigan Library, the chambers of commerce, and the MVEDA office. The major points of the proposed plan were presented for discussion by those in attendance.

## Section 1 Introduction

The City of Las Cruces Local Economic Development Plan implements the State of New Mexico statute titled the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978). The Act legislates a voter-approved exception to the “anti-donation clause” of the New Mexico Constitution, Article IX, Section 14, Subsection D, by authorizing the use of public resources for economic development purposes by local governments.

### 1.1 Local Economic Development Act

The Local Economic Development Act, “the Act,” authorizes local governments to use public resources for economic development projects. It was initiated as a constitutional amendment, put to a statewide vote in the 1994 general election and approved by the voters.

Public resources that may be used for an economic development project include land, buildings, infrastructure, and direct loans and grants for land, buildings, and infrastructure. In order to implement the authority provided by the Act, a local government must produce an economic development plan and adopt the plan by ordinance. Briefly, the plan describes goals and strategies, types of businesses that qualify, what resources will be offered, what type of projects qualify for assistance, how applications for an economic development project will be accepted and evaluated, the minimum benefit the project must provide, and how local public resources will be safeguarded.

The purpose of the Act is to enhance the capability of local governments to attract and retain job-generating businesses which, in turn, results in strengthened local and state economies.

### 1.2 Definitions from the Local Economic Development Act

The definitions presented below provide general guidance on the resources that can be offered by a local government and the type of private sector entity that can participate in an economic development project that makes use of those resources. The definitions are copied from the text of the Act.

Economic Development Project or Project means the provision of direct or indirect assistance to a qualifying business by a local or regional government and includes the purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure; public works improvements essential to the location or expansion of a qualifying business; payments for professional services contracts necessary for local or regional governments to implement a plan or project; the provision of direct loans or grants for land, buildings or infrastructure; loan guarantees securing the cost of land, buildings or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax (*see below*); grants for public works infrastructure improvements essential to the location or expansion of a qualifying business; purchase of land for a publicly held industrial park; and the construction of a building for use by a qualifying business.

Person means an individual, corporation, association, partnership or other legal entity.

Qualifying Entity means a corporation, limited liability company, partnership, joint venture, syndicate, association, or other person that is one or a combination of two or more of the following:

- (1) an industry for the manufacturing, processing, or assembling of agricultural or manufactured products;
- (2) a commercial enterprise for storing, warehousing, distributing, or selling products of agriculture, mining, or industry, but, other than as provided in Paragraph (5) or (6) [below], not including any enterprise for sale of goods or commodities at retail or for distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;
- (3) a business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in Paragraph (5) [below], not including businesses primarily engaged in the sale of goods or commodities at retail;
- (4) an Indian nation, tribe or pueblo or a federally chartered tribal corporation;
- (5) a telecommunications sales enterprise that makes the majority of its sales to persons outside New Mexico;
- (6) a facility for the direct sales by growers of agricultural products, commonly known as farmers markets; or
- (7) a business that is the developer of a metropolitan redevelopment project.

Regional government means any combination of municipalities and counties that enter into a joint powers agreement to provide for economic development projects pursuant to a plan adopted by all parties to the joint powers agreement.

### 1.3 Municipal Infrastructure Gross Receipts Tax

Municipal governments may, under the authority of the municipal infrastructure gross receipts tax, 7-19D-11 NMSA 1978, impose up to one-fourth of one percent on local gross receipts in one-sixteenth of one percent increments. Paragraph C. (5) of the statute allows revenue from the tax to be dedicated for "furthering or implementing economic development plans and projects as defined in the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978." Any increment of the tax for economic development requires that an election be held and a majority of the voters of the municipality voting in the election vote in favor of imposing the tax.

### 1.4 Restrictions on Public Expenditures

The Act limits the total amount of public money that may be expended for economic development projects in a fiscal year to no more than five percent of the annual general fund expenditures in that fiscal year. The limit does not apply to:

- (1) the value of any land or building contributed to an economic development project;
- (2) revenue generated through the imposition of the municipal infrastructure gross receipts tax local option for furthering economic development plans and projects;
- (3) the proceeds of a revenue bond issue to which municipal infrastructure gross receipts tax revenue is pledged;
- (4) funds donated by private entities to be used for defraying the cost of a project.

### 1.5 Defining Economic Development

Economic development in its most basic sense means job creation by the private sector of the economy. Commonly, though, economic development is understood to refer to specific governmental efforts which are intended to encourage private investment.

Economic development is fundamentally about enhancing the factors of production—land, labor, capital, and technology. By using its resources and powers to reduce the risks and costs which could prohibit investment, the public sector can help set the stage for employment-generating investment by the private sector.

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Economic development is often defined synonymously with economic growth. Quantitative change is the goal of economic development activities under a growth definition: the number of jobs increases, business incomes rise, total personal incomes increase, or the amount of investment in business increases.

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Economic development is also defined in qualitative terms. Development results in improved productivity through innovative changes in technology, institutions, and processes (more gets done with less). Development can mean increased capacities; old jobs get done in new ways or jobs are done that were not before undertaken.

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The City of Las Cruces has a strong interest in economic development. The City is a founding member and active participant in the Mesilla Valley Economic Development Alliance, a public-private partnership with members representing local governments, federal and state institutions, non-profit business organizations, and private businesses. Among its economic development efforts, the City has created the West Mesa Industrial Park and has installed utility (water, sewer, gas) infrastructure and streets within parts of the industrial park as time, money, and opportunity allow to encourage the location of industrial and commercial businesses. By implementing the authority afforded under the Local Economic Development Act, the City of Las Cruces is providing itself with an additional economic development tool to enhance its continuing economic development efforts.

## Section 2 Local Economic Overview

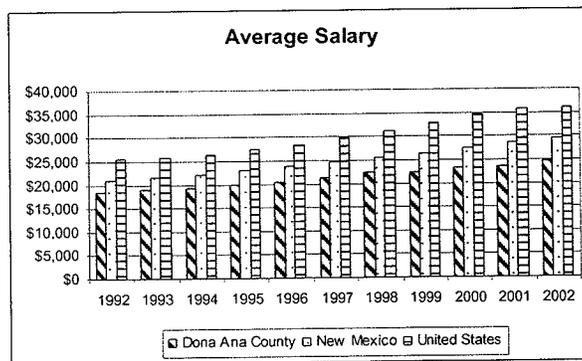
Las Cruces is a rapidly growing municipality in the southwest region of the U.S and in the southern part of New Mexico. The U.S.-Mexico border is fifty miles to the south. Las Cruces is the principal city and county seat of even more rapidly growing Dona Ana County. Las Cruces is the second most populous city in New Mexico. The city received national attention in 2002 as an attractive place to do business and to retire. Forbes.com and the Milken Institute ranked Las Cruces number one in a list of best small places for business and career. Money Magazine recognized Las Cruces as a top area in the U.S. to retire.

The 2000 Census population of Las Cruces was 74,267 which is double the population of 1970. From 1990 to 2000, the population increased twenty percent. The Las Cruces Metropolitan Statistical Area (a term devised by certain federal agencies for statistical purposes) and Dona Ana County are geographically identical. The 2000 population for Dona Ana County was 174,682, a twenty-nine percent increase from 1990 and two and a half times the 1970 population. Fifty-eight percent of the population growth increase between 1990 and 2000 is attributable to natural increase and forty-two percent by net migration. Of the persons migrating

to Dona Ana County, two-thirds came from other countries (primarily Mexico) and one-third from other parts of the state and the U.S.

The Las Cruces economy is growing as measured by work force, jobs, business gross receipts, and incomes. However, this growth is largely a function of a growing population. During the 1980s and 1990s, Las Cruces was among the fastest growing metropolitan areas in the country. Through the first years of the 21<sup>st</sup> century, the population growth rate has declined but is still a substantial one and a half to two percent annually. Population growth brings an increased demand for housing, retail goods, and many services and the local markets for these goods and services are prospering. Many economic measures—average salaries, per capita incomes, unemployment rates, retail gross receipts—compare Las Cruces unfavorably with New Mexico and the United States. Indeed, the income gap between the United States and Las Cruces is getting larger over time whether measured by per capita income, median household income, or average annual salaries.

Taking national averages as a benchmark, the job economy in Las Cruces and Dona Ana County is underperforming. Local unemployment rates are consistently higher than the nation and average salary per job is significantly lower. According to the U.S. Bureau of Economic Analysis, the average wage per job in 2002 for Dona Ana County was \$24,555 and for the U.S. it was \$36,167. The average wage in Dona Ana County in 2002 is the same as it was for the U.S. in 1992. In 1992, the average salary in Dona Ana County was 73 percent of the U.S. average; in 2002 it was 68 percent. Low salaries result in other income measures well below the national average such as median household income and per capita income; poverty rates are double the national poverty rate. Many jobs are in the relatively low-paying retail trade and services sectors. Jobs in higher-paying industries—manufacturing, certain professional and technical services, and, to a lesser degree, construction—are a small portion of total employment. Three Standard Industrial Classification (SIC) Code sectors—government, services, retail trade—account for seventy percent of total jobs.



In recent years there have been notable improvements in three areas: real estate development and construction, health care services, and manufacturing—in particular companies that supply the maquiladora industry. Maquilas are manufacturing plants located near the border in Mexico which have been granted certain tariff privileges by agreements between the U.S. and Mexico. In Dona Ana County, manufacturing jobs are five percent of all nonfarm jobs and construction jobs are six percent. Those ratios have fluctuated slightly but they have been about the same since 1970.

The government sector plays an important role in the local economy. Fully one-quarter of all jobs are government jobs. Federal government jobs pay by far the best, well above the average salary. Most of those are at White Sands Missile Range and NASA White Sands Test Facility. State and local government provide five times as many jobs as the federal government

or one-fifth of all jobs. State and local government jobs pay above the average wage. Over time, government jobs have shown steady but not spectacular growth. Federal jobs have decreased from the 70s and 80s, likely because of increased contracting. The government sector provides stability to the local labor market but cannot drive the economy or be a growth leader. In fact, government jobs have declined as a percentage of all nonfarm jobs since 1970 with offsetting increases in the services sector.

The top ten industries by total earnings, number of jobs, and average earnings per job for Dona Ana County in 2001 are listed below. The industries are classified according to the North American Industrial Classification System (NAICS) which has replaced the SIC Code.

#### Dona Ana County (Las Cruces MSA) Earnings and Jobs in 2001

Earnings by industry (NAICS), thousands of dollars		Jobs by Industry	Jobs	Average Earnings per Job
Rank	Total Earnings		Total Jobs	Average for all Jobs
1	Local government	Health care and social assistance	76,509	26,147
	252,189		8,975	73,614
2	Federal, civilian	State government	8,539	49,195
	246,460	Retail trade	7,912	46,301
3	Health care and social assistance	Local government	7,039	37,124
	225,500	Accommodation and food services	5,229	35,827
4	State government	Construction	4,588	35,451
	224,103	Administrative and waste services	3,941	33,304
5	Retail trade	Other services, except public administration	3,789	29,220
	148,810	Professional and technical services	3,618	26,245
6	Professional and technical services	Manufacturing	3,475	25,396
	134,315	Transportation and warehousing		
7	Farm			
	116,633			
8	Construction			
	106,626			
9	Manufacturing			
	101,540			
10	Accommodation and food services			
	64,361			

Source: U.S. Bureau of Economic Analysis.

Keep in mind that the Bureau of Economic Analysis includes proprietors in the above data and that the employment numbers include full-time and part-time employment. The table shows average earnings at \$26,147 by dividing total earnings by total jobs. Average earnings are displayed for comparison with other industries. The average wage per job in 2001 was \$23,585 according to BEA.

The increased detail of NAICS reporting illuminates the services sector, notably in the large number of jobs in the health care and social assistance sector and in the above average salaries earned in the professional and technical services sector. The SIC Code had previously included both in the broad services sector.

## Section 3 Analysis

Evaluating strengths and weaknesses is a search for competitive advantage.

### 3.1 Strengths-Weaknesses Table

Economic Factor	Strength	Weakness	Neutral	Comment	
Land	Undeveloped	•		Open, plentiful, affordable.	
	With utility service and paved access	•	•	West Mesa Industrial Park is a relative strength, other sites throughout the city are available.	
	Buildings		•	Few ready-to-occupy industrial buildings.	
	Utility Infrastructure			•	City-provided water and sewer services are above average. Gas and electric service adequately available. Advanced communication services available but weak in high-speed, high-capacity broadband.
	Minerals		•	No significant mineral wealth other than construction aggregates.	
	Water			•	Large aquifer underlies the Mesilla Valley, a relative advantage in U.S. west. Neutral, though, due to current dry spell.
	Fertility	•			Mesilla Valley is very fertile and productive with a long growing season.
	Wind and Solar Energy	•			Consistently available resource.
Labor	Workforce size	•		Large, growing, relatively underused labor force that could easily and quickly expand to satisfy new opportunities.	
	Educational level	•	•	•	Percentages of residents 25 and over with bachelor's and graduate degrees are above the national and state averages. Percentage of residents without a high school degree also higher than national and state averages. Upper level a strength, lower level a weakness, overall a neutral.
	Skills			•	Skills reflect educational levels. Large portion of labor force is bi-lingual in English and Spanish. A broad network of workforce training organizations is present in Las Cruces.
Capital		•	•	A former possible weakness is somewhat neutralized by global nature of capital and capital markets. See note below under weaknesses.	
Transportation			•	All modes of transport are available. Roads and streets are adequate; traffic congestion but no gridlock. All parts of the city have easy access to interstate highways. No regular air passenger service to Las Cruces.	
Technology	•			High-tech infrastructure in place owing to presence of the university, defense systems test and research at WSMR, space systems test and research at NASA facility, and businesses which contract with Defense Dept. and NASA.	
Taxes	•		•	Property tax is in low range nationally, state income tax above national average, gross receipts (or sales) tax is low to middle range. GRT on services has negative effect.	

### 3.2 Strengths

- Land

Property for commercial and industrial development is plentiful, open, and affordable from small lots to large tracts. The city-owned West Mesa Industrial Park has an excellent location on Interstate Highway 10, all utilities are available, and any size industrial property need can be accommodated.

The soil in the Mesilla Valley is very fertile. The climate with mild winters provides a long growing season. Farm cash receipts for Dona Ana County farmers in 2001 were \$302 million, second among New Mexico counties.

The Las Cruces/Dona Ana County area has an abundance of potential renewable energy from wind and sun.

The Mesilla Bolson is a deep aquifer which extends down the entire length of the Mesilla Valley. (However, the current dry spell and its uncertain length introduce ambiguities and tend to neutralize a relative strength in the generally dry western U.S.)

- Labor

Certain characteristics of Las Cruces—size (second largest in New Mexico), presence of a major university, proximity of White Sands Missile Range, population growth—color a work force that is well-educated, trainable, plentiful, with a high-proportion that is bi-lingual in English and Spanish and hungry for economic improvement.

The proportion of the population age 25 and over with bachelor's degrees or higher is four percentage points higher in Las Cruces (28.4) than for the U.S. (24.4) and five percentage points higher than in New Mexico (23.5). —Census 2000.

- Technology

There is a strong core of high-technology expertise in research and application at White Sands Missile Range, NASA White Sands Test Facility, New Mexico State University, and the Physical Sciences Laboratory at NMSU. White Sands Missile Range provides test, evaluation, research, and other technical services to the Army and Department of Defense acquisition programs. White Sands Test Facility (WSTF), located just northeast of Las Cruces, has been a part of the NASA Johnson Space Center since its construction in 1963 and provides expertise to test and evaluate spacecraft materials, components, and rocket propulsion systems. The recently-created High Tech Consortium of Southern New Mexico, an association of local businesses deploying advanced technology, signifies the increasing presence and importance that high tech companies are taking in the Las Cruces economy.

- Education

New Mexico State University is the land-grant college in the state with its main campus in Las Cruces. The university offers undergraduate and post graduate programs in many disciplines several of which enjoy wide reputations for excellence, for example engineering, agriculture, accounting, computer sciences, mathematics, and physics.

Dona Ana Branch Community College offers a variety of continuing education and associate degree programs which are responsive to the needs of the work place and local residents.

- Transportation

Surface: Las Cruces sits at the junction of Interstate Highways 10 and 25. IH-10 is the major east-west highway across the southern U.S. IH-25 is a major north-south highway through the Rocky Mountain states. Both highways generally follow traditional trade routes, the north-south Camino Real and the east-west Butterfield Stage Trail.

Rail: Burlington Northern and Santa Fe tracks run through Las Cruces; the Union Pacific crosses southern Dona Ana County. A major switch yard in El Paso connects with other parts of the U.S. and with Mexico.

Air: The City of Las Cruces owns and operates the Las Cruces International Airport located at the West Mesa Industrial Park. The airport can handle aircraft as large as a Boeing 737 or 120,000 pounds. (Air passenger service has been available at the airport in the past, but currently is not.)

- Community Leadership

There are several active organizations which support business activity and promote business development: Mesilla Valley Economic Development Alliance, Greater Las Cruces Chamber of Commerce, Hispano Chamber of Commerce of Las Cruces, Las Cruces Home Builders Association, High Tech Consortium of Southern New Mexico, Office for Space Commercialization, New Mexico State University Southwest Technology Development Institute, Small Business Development Center, and, not least, the Las Cruces City Council.

The Mesilla Valley Economic Development Alliance is the preeminent economic development organization, chiefly responsible for marketing and recruiting businesses to expand or locate operations in the Las Cruces/Dona Ana County area. The organization is a public-private partnership with members representing local governments, federal and state institutions, non-profit business organizations, and private businesses.

Las Cruces is an active, participating member of the South Central Council of Governments. The council maintains a regional, multi-county, economic development plan and assists member governments in obtaining federal and state funds for projects that support economic development.

### 3.3 Weaknesses

- A note on local financial capital.

In the past, business financing may well have been a local weakness; locally-owned financial institutions were pre-eminent in the local market and lending capacity was largely limited to the resources of local depositors and investors and to conservative lending guidelines. In the past dozen or so years, the banking industry has experienced extraordinary consolidation with the result that many of the major national financial institutions have significant operations in Las Cruces. Venture capital is available from New Mexico-based firms, primarily located in Albuquerque. Loan programs of the Small Business Administration are accessible with the help of a Small Business Development Center located in Las Cruces. The growth and reach of the internet brings the possibility of raising financial capital from institutions which are geographically distant. These developments have marginally neutralized past financial limitations. In sum, the local capital market should not be a debilitating weakness.

Nonetheless, problems remain. 1) New Mexico venture capital tends to focus on the northern part of the state which encompasses the largest city, Albuquerque, and the state

capitol, Santa Fe. 2) Business lending decisions by national institutions and corporate managers are further removed from local knowledge and locally-centered goals and interests. 3) Available business financial capital is skewed toward home-building and retail trade. 4) National banks and retailers, headquartered elsewhere, are as likely to drain local capital as to supply it.

- Few ready-to-occupy industrial buildings. Many business site selectors cite this problem as a serious drawback despite other advantages of Las Cruces.
- Entry level labor force: percentage of residents without a high school diploma is higher than in New Mexico and the U.S.
- Very dry climate susceptible to drought. Annual precipitation has been below the long-term average for the past five years causing drastic drops in area water storage reservoirs and reducing aquifer recharge by the river. Droughts have been cyclical in the past.
- Lagging economy overly dominated by government and retail trade.

**3.4 Opportunities-Threats Table**

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Maquiladora manufacturing plants in Mexico need to have supplier companies nearby.</li> <li>• Advancing aerospace technology will have need of a developed spaceport.</li> <li>• Food market continues to need higher value-added food processing capability.</li> <li>• Weak dollar provides advantages to firms exporting U.S. goods and services.</li> <li>• Continuing population growth in Las Cruces.</li> <li>• Renewable energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive global economy improves attraction of cheaper labor markets elsewhere.</li> <li>• Dry climate susceptible to periods of prolonged drought.</li> <li>• Rising health care costs have dramatic effect on small businesses and on local governments.</li> <li>• Federal budget deficit and effect on a local economy with large government share.</li> <li>• Periodic threat of reduction or closing of WSMR.</li> <li>• Economic development competition from other U.S. regions and cities.</li> </ul>

**3.5 Opportunities**

- Advances in aerospace technology which make feasible orbital and suborbital flight by reusable space launch vehicles with a potential for commercial application. Altitude, sparse population, the expertise at White Sands Missile Range, the NASA Test Facility, and the Physical Sciences Laboratory at New Mexico State University provide Las Cruces and Dona Ana County location advantages for a future “spaceport” for the takeoff and landing of space flights.

- The downturn in manufacturing for maquiladora plants has reversed and is in recovery. The maquilas are applying pressure on supplier companies to move their operations into Mexico or on the border nearer to the assembly facility. There are 26,000 U.S. suppliers and they have shown growing interest in a Las Cruces area location.
- Local agricultural commodity production is sufficient to support additional value-added food processing facilities.
- The value of the dollar has declined relative to foreign currencies since the third quarter of 2001. A weak dollar strengthens the global competitiveness of U.S. goods and services for export and should strengthen the locally important maquiladora industry. However, currency exchange rates can be volatile and the downward trend in the dollar value could easily reverse in the future.

### 3.6 Threats

- Federal budget deficit—with the importance of federal government spending in New Mexico, through direct spending and through grants-in-aid, the effect of any federal government domestic spending reductions would be significant in New Mexico and in Las Cruces.
- Given the unique capacities and capabilities of White Sands Missile Range, it is not reasonable to foresee its closure. But, periodically, the federal government evaluates Defense Department facilities for base reductions. Should operations cease at WSMR the impact on the Las Cruces economy would be severe.
- Cheap labor markets in southeast Asia and China.
- Drought and resulting stresses on water supply systems and on agriculture.

The matrix table on the next page with strengths and weaknesses in columns and with opportunities and threats in rows provides a succinct view of the SWOT analysis. The table is an aid to considering various strategies.

- Strength-Opportunity alternatives (good fit between internal strength and external opportunity)
- Weakness-Opportunity alternatives (overcome weaknesses to pursue opportunities)
- Strength-Threat alternatives (use strength to reduce external threat)
- Weakness-Threat alternatives (defensive; prevent susceptibility of local weakness to external threat)

**3.7 SWOT Matrix**

		<b>INTERNAL</b>	
		<u>Strengths</u> <ul style="list-style-type: none"> <li>• Land: plentiful, affordable, open</li> <li>• West Mesa Industrial Park</li> <li>• Water</li> <li>• Work force size</li> <li>• High end of work force</li> <li>• Location near border with Mexico</li> <li>• Location advantage for spaceport: altitude, sparse population, WSMR</li> <li>• Health care by providers and number of employees.</li> <li>• Agriculture.</li> <li>• Sun and wind.</li> </ul>	<u>Weaknesses</u> <ul style="list-style-type: none"> <li>• Few available buildings suitable for industry.</li> <li>• Low end of work force.</li> <li>• Local capital available for industrial development.</li> </ul>
E X T E R N A L	<u>Opportunities</u> <ul style="list-style-type: none"> <li>• Maquiladora manufacturing plants in Mexico need to have supplier companies nearby.</li> <li>• Advancing aerospace technology will have need of a developed spaceport.</li> <li>• Food market continues to need higher value-added food processing capability.</li> <li>• Weak dollar provides advantages to firms exporting U.S. goods and services.</li> <li>• Continuing population growth.</li> <li>• Renewable energy.</li> </ul>	<u>Strength Opportunity Alternatives</u> <ul style="list-style-type: none"> <li>• Land, location, laborforce with the need for maquila supply companies to be on border.</li> <li>• Land, location, and technology infrastructure to support a developing spaceport.</li> <li>• Land, laborforce, and local ag production with potential for value-added food processing.</li> <li>• Wind and solar energy generation.</li> </ul>	<u>Weakness Opportunity Alternatives</u> <ul style="list-style-type: none"> <li>• Explore ways of constructing "spec" industrial buildings.</li> <li>• Workforce training which matches worker skills with high-tech industry needs.</li> <li>• Use public resources to partly offset weakness in capital market.</li> </ul>
	<u>Threats</u> <ul style="list-style-type: none"> <li>• Competitive global economy and cheaper labor markets elsewhere.</li> <li>• Dry climate susceptible to periods of drought.</li> <li>• Rising health care costs, effect on small businesses and local governments.</li> <li>• Federal budget deficit and cuts in domestic spending.</li> <li>• Periodic threat of reductions or closing of WSMR.</li> <li>• Economic development competition from other U.S. regions and cities.</li> </ul>	<u>Strength Threat Alternatives</u> <ul style="list-style-type: none"> <li>• Apply strengths to economic diversification to reduce reliance on government spending.</li> <li>• Attract businesses that are low-volume water users.</li> <li>• Advantage of local technology infrastructure to counteract cheap labor.</li> <li>• Convergence of WSMR, NASA test facility, and proposed spaceport to reduce base realignment threat to WSMR.</li> </ul>	<u>Weakness Threat Alternatives</u> <ul style="list-style-type: none"> <li>• The one threat subject to local control is competition from other cities and regions. A good, proactive economic development program is necessary and may be sufficient given some of the strengths of Las Cruces.</li> <li>• Incorporate economic development strategies in addition to business attraction-retention.</li> </ul>

### 3.8 Local Economic Problems

- Brain drain
- Low average salary (relative to the U.S.)
- Low (relative to the U.S.) labor force participation rate
- High (relative to the U.S.) unemployment rate
- Insufficiently diversified economy reliant on retail trade and government spending

The problems are inter-connected and are reflections of the local economic picture. One unfortunate problem is sometimes referred to as a brain drain; our young people upon completing their educations leave the area for more exciting and rewarding economic locales. Young people may well leave anyway to explore the world and test themselves in different environments, but the reality is that the local economy insufficiently provides those rewarding and challenging opportunities that would persuade young graduates to stay.

The low labor force participation rate and high unemployment rate reflect an insufficiently vibrant economy which neither provides enough opportunity to overcome discouragement of job seekers nor enough jobs to employ those who are, by definition, willing, able, and looking. Labor force participation (persons age 16 and over working or looking for work) in Las Cruces was lower in 2000 than it was in 1990. The participation rate of males declined by six percentage points, from 71.3 percent to 65.6 percent while the female participation rate improved two points to 56.1 percent. Overall, the labor force participation rate was down to 60.6 percent which is over three points below the U.S. participation rate. For the eight-year period from 1995 to 2002, the unemployment rate in Dona Ana County averaged 3.2 percent higher than the unemployment rate for the U.S.

The average salary for Dona Ana County is ten years behind the U.S. and five years behind New Mexico. The average salary in Dona Ana County in 2002 is the same as in the U.S. in 1992 and in New Mexico in 1997. The gap has increased over the 1992 to 2002 period. In 1992, the average salary in Dona Ana County was 73 percent of the U.S. average; in 2002 it was 68 percent.

The relatively large (relative to the U.S.) government and agriculture sectors stabilize the local economy. Government jobs are, relatively, well paying. Agriculture rewards the proprietors, or farmers, but not, generally, the laborers. Other large sectors, retail trade and services are, broadly, low-paying. None of these sectors, important as they are, has the capacity to drive the local economy to a satisfactorily improved performance.

Labor force participation rate, age 16 and over	Census 1990		Census 2000	
	Las Cruces	United States	Las Cruces	United States
Total	62.7%	65.3%	60.6%	63.9%
Male	71.3%	74.4%	66.3%	70.7%
Female	54.7%	56.8%	55.6%	57.5%

Source: U.S. Census Bureau.

Unemployment rate	Census 1990	Census 2000
Las Cruces	8.9%	8.4%
United States	6.3%	5.8%

Source: U.S. Census Bureau.

### 3.9 Projections

The projections in the table below are simple, straight-line calculations with these assumptions: the population grows twenty percent over ten years; the proportion of the population age 16 and over remains the same; the participation rate of the population 16 and over in the labor force remains the same; and the unemployment rate of the labor force remains the same.

Las Cruces	2000	2010	2020
Population	74,264	89,120	104,716
Population age 16 and over	57,610	69,134	81,233
In labor force	34,935	41,924	49,260
Employed	31,866	38,241	44,933

Source for 2000 data: US Census Bureau, Census 2000.

With those assumptions and no other changes, employment will increase by 6,400 between 2000 and 2010. All else remaining the same, 6,400 jobs will have to be created for additional population growth. However, it can be said in another way that normal, expected growth will produce an additional 6,400 jobs between 2000 and 2010 in Las Cruces. Such a result, unfortunately, leaves the unemployment rate and participation rate at unsatisfactory levels, the same levels as in 2000. Additional jobs above the number created by normal, natural growth will have to be created by some intervention (or good fortune) for the unemployment rates to decrease.

Las Cruces	2000-2010	2010-2020
Additional employment with no change in labor force participation rate (60%, Census 2000) nor unemployment rate (8.4%, Census 2000)	6,401	6,720
Annual average new jobs over the decade	640	672
Additional employment with improvement in labor force participation rate to 63% and improvement in unemployment rate to 6%	6,825	7,165
Annual average new jobs over the decade	683	717

The table shows that normal growth can be expected to create between 600 and 700 new jobs on average annually given the assumptions noted above. Improving the labor force participation rate three percentage points and lowering the unemployment rate to six percent calls for an additional 400 new jobs over ten years above the "natural" increase. Attributing the cause of job growth to normal economic expansion or to economic development may be problematic. But clearly, if economic development creates new jobs at the margin of normal economic growth in the range of 50 to 100 new jobs annually, the local economy will see improvement in opportunity and should see a decline in unemployment rates.

## Section 4 Goal Statement and Goal Objectives

The goal statement underlies the whole program. The goal objectives and the strategies derive from the goal statement. Goals provide the benchmark of success for program evaluation. If and when ambiguities or questions of interpretation arise during program operation, the goal statement can be reviewed for clarification.

### 4.1 General Guiding Principles

The guiding principles of the Las Cruces economic development plan are 1) to create a local economy with ample opportunity to entice young people to stay, 2) to entice those who have left to come back, 3) to encourage those members of the community who are eligible to participate in the workforce but do not, and 4) to qualitatively alter and diversify the local economy toward industries and businesses that develop and use advanced technology with the expectation that such diversification will sustain local economic growth into the future.

- Strive to develop an economy such that young people, discouraged workers, and the unemployed have the option of finding challenging and rewarding jobs and the potential for creating businesses.
- Strive for a local economy such that residents of the Las Cruces area who have left to explore the world and, having done so, want to return to Las Cruces, whether to raise families or otherwise contribute to the community, can do so without facing the economic obstacle of few jobs at relatively low salaries.
- Diversify the local economy by focusing on industries with long-term growth potential and above average paying jobs—industries that hold the promise of helping drive the Las Cruces economy in the long term such as aerospace, professional and technical services, supplier companies to the maquiladora manufacturing industry, health care, and value-added agricultural food processing.

### 4.2 Goal Statement

The purpose of the local economic development program is to create a dynamic local economy with increasingly abundant and rewarding employment and investment opportunities for all Las Cruces residents and an economy progressively diversified toward sectors and industries that are near the leading edge of technology, likely to thrive into the future, and likely to provide competitive rates of return to employees and investors.

#### 4.2.1 Key points:

- Cities and businesses have economic roles; cities are the locale of markets—labor, capital, consumption end markets; businesses create goods and services for various markets; appropriate partnerships can yield mutual benefits.
- Public resources can reduce cost or risk to private business; working together public goals can be achieved.
- Las Cruces has limited funds; those diverted to economic development must have a high probability of success and a low probability of loss.
- Given a rapidly growing population, all new jobs are valuable.

- Given low income levels, new jobs that pay above the average salary are valued at a premium.
- Keeping local expanding businesses in Las Cruces is a priority.
- All else being equal, companies that operate in sectors and industries with likely long-term growth potential are preferred.
- “Sustainability” is a desired element of appropriate and successful economic development. (Sustainability implies that economic development goals are achieved in a manner that does not lessen the ability to achieve the same goals in the future.)
- Appropriate and successful economic development should have a beneficial effect on “quality-of-life” factors that are important to residents of Las Cruces.

### 4.3 Goal Objectives

#### 4.3.1 Quantitative

- Attract fifteen million dollars in new business investment annually.
- Create 150 to 200 new jobs annually.  
Reduce the level of unemployment; improve labor force participation rate; improve opportunities for young people entering the labor force; improve opportunities for low-income individuals.

#### 4.3.2 Qualitative

- Increase the average annual salary by one percent greater than the inflation rate (CPI-U) annually.  
Entice young people just graduating or just entering the labor force to remain in the community; improve labor force participation rate; improve opportunities for low-income individuals.
- Diversify by developing industry clusters.  
Diversify the economy in likely sectors (aerospace, high technology, professional and technical services, value-added agricultural processing, supplier businesses to maquiladora manufacturers); jobs in preferred clusters help raise the average salary level; promotes self-sustaining growth into the future. For example, the spaceport—take-off, landing, and re-launch of orbital and sub-orbital space vehicles—is speculative but has such a monumental potential payoff that it could drive growth locally for decades.

## Section 5 Overall Program Strategy

The intent and guidance provided by the New Mexico Local Economic Development Act implies that the overall strategy will be to attract and to retain private businesses which create new jobs. This particular overarching strategy centers on the capacity of Las Cruces to provide incentives to business firms. The incentives are in the form of municipally-owned resources, municipally provided services, and financial incentives which are at the discretion of the City of Las Cruces. An economic development project is a partnership which combines public resources and private investment and achieves the goal objectives of the local economic development plan.

Quantitative objectives call for identifying and persuading business firms to expand and locate in Las Cruces in order to create jobs. Qualitative objectives call for identifying companies in desirable industries and persuading them to expand or locate in Las Cruces. Companies in desired industries expanding or locating in Las Cruces are anticipated to diversify the economy and to compensate employees with above average salaries. Start-up businesses with strong proposals will be considered for participation in the program.

The preferred clusters are aerospace, high technology, advanced business and financial services, maquila suppliers, and value-added food processing. Broadly by NAICS code:

2002 NAICS Code	2002 NAICS Title
31 - 33	Manufacturing
311	Food Manufacturing
332	Fabricated metal product manufacturing
334	Computer and electronic product manufacturing
3364	Aerospace products and parts manufacturing
51	Information
54	Professional, scientific, and technical services

*Basic model*

*Public contribution plus private investment equals new jobs.*

*Preferred model*

*Public contribution plus private investment in desired industry clusters equals new jobs with above average salaries.*

### 5.1 Plan Strategies

The basic overall strategy consists of encouraging businesses to expand and to locate in Las Cruces by using public resources as leverage to increase business investment. The City of Las Cruces will offer incentives of material value to reduce cost or risk to private business in return for investment by the business in an operational facility and the creation of new jobs. The facility must be located in Las Cruces.

The alternatives from the SWOT matrix are repeated below.

Strength-Opportunity	Weakness-Opportunity	Strength-Threat	Weakness-Threat
Use strengths in land, location, and certain workforce characteristics to pursue companies in:	Encourage construction of speculative industrial buildings.	Diversify to reduce reliance on government spending	Improve incentives as needed to compare favorably with the competition, other cities and regions.
Maquila manufacturing supply	Promote workforce training which matches worker skills and high-tech business needs.	Attract businesses that are low-volume water users.	Devise economic development strategies in addition to attraction-retention of businesses.
Value-added food processing	Use public resources to partly offset weakness in local capital market.	Convergence of proposed spaceport with WSMR and NASA test facility to reduce base realignment threat to WSMR.	
High technology manufacturing and services			
Aerospace and spaceport			
Solar and wind energy generation.			

Combining the overall program strategy with the SWOT alternatives and the goal objectives generates three plan strategies:

1. Retain local expanding businesses, particularly in preferred industry clusters.
2. Attract businesses, particularly in preferred industry clusters, to locate to Las Cruces.
3. Partner with start-up businesses, particularly in preferred industry clusters, with strong proposals will be considered for assistance.
4. Encourage, and possibly participate with, developers to construct "spec" industrial buildings that can be occupied in a short time.

Retention-Attraction

The first two strategies are essentially the same and can be considered as one. The only difference is an emphasis on keeping local, successful and growing businesses in Las Cruces. A key step in implementation is marketing the program to businesses.

The Mesilla Valley Economic Development Alliance (MVEDA), the local public-private partnership organization created specifically for economic development, already operates an attraction-retention program to promote Dona Ana County, including Las Cruces. MVEDA has a marketing plan in place and advertises with a variety of techniques. Through its broad membership, MVEDA has active information on the needs of the local business community which includes the needs and identifies of local expanding businesses. The City of Las Cruces will avail itself of MVEDA to take the lead role for marketing and initial identification of likely businesses to participate in the program.

The other tasks for implementing the strategy will be undertaken by the City of Las Cruces. The city manager, which includes by operational definition the entire city staff, performs all other strategic tasks. All economic development projects and the commitment of public resources require City council approval.

The table below establishes the main tasks and responsibilities for implementing the attraction-retention strategy.

**Activity Outline**

What	Who	When	How
Approving and adopting the 2004 Las Cruces Local Economic Development Plan	City Council	Target date: August 1, 2004	Advertising an ordinance of adoption, conduct public hearing at a regularly scheduled city council meeting with adoption at next regularly scheduled council meeting.
Marketing	MVEDA, City of Las Cruces	Continuous	Media advertising, web sites, trade show presentation, notices to site selectors.
Follow-up: Identifying and contacting companies	MVEDA, City of Las Cruces	Continuous	
Application for assistance under the program	Private business	At any time.	
Review and evaluate application	Evaluation committee	Upon receipt of application.	
Initiating preliminary project design	MVEDA, City Manager, private business	Following a favorable evaluation of the application.	
Negotiating incentives and scope of project.	City Manager, private business	Upon favorable evaluation.	
Defining project	City Manager, MVEDA, Private business		
Approving project	City Council		By ordinance at regularly scheduled council meeting.
Project participation agreement	City Manager, City Council, Private business		
Approving project participation agreement	City Council		
Implementing	City Manager		
Management	City Manager		
Evaluation	City Manager		

Construct "spec" building strategy

Build on current relationships with developers to construct suitable buildings on sites in priority areas of the City for quick occupation by an industrial firm. This is a speculative strategy and great care with assurances and investment safeguards will have to be taken to protect any investment Las Cruces may make. Las Cruces, by implementing the authority of the Local Economic Development Act, will be able to perform many of the pre-construction activities including surveying, site preparation, installing utilities and front some "soft" costs such as environmental assessment, appraisal fees, and some legal costs as well as supplying funding for construction. The major issue facing Las Cruces is the probability that the "spec" building will be occupied in a very short time; occupied and in operation with new jobs for the local work force.

## 5.2 Qualifying Entities

Adhering to the definition supplied in the Local Economic Development Act and reproduced above on pages four and five, a qualifying entity for economic development project assistance can be any of the standard forms of business organization and with few exceptions can operate in any industry except retail trade.

## 5.3 Qualifying economic activities

- Manufacturing, processing, or assembling of agricultural or manufacturer products.
- Storing, warehousing, distributing products of agriculture, mining, or industry.
- Supplying of services to the general public or to governmental agencies or to a specific industry.
- Telecommunications sales with majority of sales to persons outside New Mexico.
- A business that is the developer of a metropolitan redevelopment project.

(Refer to Section 1.2, page five; retail sales and public utilities services are not, broadly, qualifying activities.)

## 5.4 Las Cruces Resources Available for Economic Development Project

Private investment will likely be some combination of equity and loans and other commitments to Las Cruces. Public contribution can include public resources, services, and financial incentives.

Inserted: or support for an economic development project shall be provided in exchange for a substantial contribution from the qualifying entity.  
Public contribution

### 5.4.1 Resources

- Land
- Buildings
- Infrastructure
  - Water, sewer, and gas service
  - Roads and streets

### 5.4.2 Services

- Engineering, architectural, legal, appraisal, environmental assessment
- Liaison with state economic development programs and services
- Job training assistance

### 5.4.3 Financial Incentive

- Property tax abatement
- Infrastructure hook-up fees
- Cash grants
  - General Fund
  - Program funds from private donation and any revenue derived by the program

## 5.5 Criteria of Eligible Project

- Private business must be an eligible applicant.
- Purpose of project must be eligible activity.

- Project must result in new jobs which are intended to be permanent. Project construction jobs do not count as new jobs; the cost of construction is part of the private business investment.
- Project financing leverage: at least three private dollars to one public dollar.
- One new job for up to \$30,000 in assistance from Las Cruces.
  - One job means one full-time equivalent position

Public investment per new job	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
New jobs for each \$1million in Las Cruces assistance	100	67	50	40	33

- The project must be completed within two years.
- The project must be located within the Las Cruces city limits.
- The project must comply with all applicable local, state, and federal rules and regulations.

The value of the incentives Las Cruces offers will be given in dollar terms. In general, the better, more valuable incentives will go to projects creating jobs in the preferred industry clusters and which create above-average salary jobs. The better projects can be rewarded with greater assistance per job or with a lower leverage ratio. Maximum of Las Cruces assistance for all projects in any one year is five percent of the general fund budget. In the first year of the program, 2004, the maximum is approximately \$2.75 million.

## Section 6 Application Procedure

A qualifying entity may apply to the City of Las Cruces to participate in an economic development project at any time. The City will provide the requirements for submitting an application. A completed application should be submitted to the city manager.

- Qualifying entity may apply at any time
- Application form and information requirements will be supplied by the City.
  - The City will also supply the applicant with the evaluation scheme that is in effect at the time of the request.
- Application review and evaluation will occur in order received.

### 6.1 Economic Development Project Application

A qualifying entity interested in participating with the City of Las Cruces in an economic development project may apply at any time. The business should submit to the city manager a completed application form supplied by the city. The application will contain information to help the City evaluate

- applicant's financial strength,
- applicant's management capability,
- applicant's commitment to the community,
- the feasibility of the proposed economic development project, and
- the benefit to the City from the project.

Information required in the application will include company information, ownership, operational profile, financial information, and project information. Additional information may

be required as determined by the City. The required information is listed on the application form. The City may require additional information for its evaluation of the project.

### **6.1.1 Confidentiality**

At the request of the applicant, the City will take reasonable measures to protect the confidentiality of sensitive business information specifically identified as such by the applicant. Upon receipt of an application, the city will assign a case number to the application for identification during preliminary consideration of the project.

## **6.2 Application Review and Verification**

The City of Las Cruces will review and evaluate an application for an economic development project as soon as possible. The City Council or the city manager may appoint a committee to evaluate the application and verify the information contained in it. Until then, evaluation will be conducted at the direction of the city manager.

The review will verify that the applicant is a qualifying entity and that the proposed project is a qualifying activity. If not, further review will be unnecessary.

The review will determine that the proposed project is compatible with the local economic development plan and will aid Las Cruces in achieving its economic development goals and objectives. Incompatibility may be sufficient to reject the application.

The review will verify the accuracy of the information contained in the application.

The review will evaluate the financial strength of the applicant and the management capability of the applicant.

The review will assess the feasibility of the proposed project.

The review will evaluate the benefit to Las Cruces from the project.

The review will include a cost-benefit analysis.

The reviewers will attempt to evaluate objectively; however, some elements of the evaluation will require the use of subjective judgement. The reviewers may devise and use an evaluation matrix such as the table proposed below to promote an objective review and evaluation of the application. At the time a qualifying entity requests application materials, the City will supply its current application and project evaluation scheme.

**Evaluation Table**

		Possible points	Applicant points
Management capability	Judgement based on operating history, business plan, and discussion of the proposed project.	5	
Financial strength	Judgement based on financial statements, tax returns, financial projections. Ratio analysis and industry standards used as baseline.	5	
Applicant's commitment to Las Cruces	Judgement based on the application.	5	
Project feasibility	Probability assessment.	5	
Industry	Targeted industry cluster, high technology	5	
	Targeted industry cluster, other	3	
	Other industry	1	
Average salary <sup>1,2</sup>	Above average salary	5	
	Range of 20 percent below average salary to same as average salary	3	
Benefits including health and retirement plans	Points awarded at discretion of evaluation committee depending on level and breadth of benefits provided	5	
Hiring period	100 percent at end of two years	5	
	100 percent at end of three years	3	
Local hiring	50 percent of new jobs to Las Cruces residents	5	
	25 percent of new jobs to Las Cruces residents	3	
Locally owned	Preference points for locally owned businesses	4	
Hiring laid off workers from a local plant closing or force reduction.		3	
Locating facility in a city priority area for business development.		3	
<b>TOTAL</b>		<b>55</b>	
<sup>1</sup> The average annual salary for Dona Ana County provided by the U.S. Bureau of Economic Analysis. In 2002, the most recent data from BEA, the average annual salary for the county is \$24,555. Twenty percent below the average is \$19,644, the equivalent of \$9.44 per hour. <sup>2</sup> Average salary can be calculated for the project by dividing the total projected annual payroll by total projected jobs created by the project.			

A good, solid project application should easily score at least twenty-five points on the above scheme.

### 6.2.1 Project Cost/Benefit Analysis Framework

The evaluation will include a cost-benefit analysis of the proposed project. The direct cost will be the value of Las Cruces' contribution to the project. The direct benefits to the city will be the increase in tax revenue: gross receipts tax (the local portion of the GRT) paid on services, equipment, and supplies purchased in Las Cruces by the applicant; gross receipts tax on

the additional payroll which purchases goods and services in Las Cruces; gross receipts tax which can be traced to the multiplier effect of the additional payroll; and additional property tax due to Las Cruces. Benefits will be calculated for a seven year period beginning with execution of the project participation agreement. A number of indirect benefits may be considered including additional tax revenues to the local school district and the county and the state, support for community cultural and social organizations, career improvement for local residents, and so forth.

Costs = City of Las Cruces participation in project; value of costs calculated to a net present value over a seven-year period.

Benefits = GRT (local portion) paid on services and supplies purchased in Las Cruces by the participating business; GRT derived from portion of payroll spent in Las Cruces; additional property tax paid to City. Plus indirect benefits as determined by the City and as may be appropriate depending on the type of project and the community commitment of the applicant.

Benefits calculated to a net present value over a seven-year period. As benefits will come in a stream, the calculation will be similar to determining the net present value of an annuity.

- Costs – net present value for seven year period.
- Benefits – net present value calculated over seven year period.
- Discount factor – current government borrowing interest rate.
- Benefits should equal or exceed costs. (Benefits divided by costs equal to or greater than one.)

## Section 7 Safeguards

The review and evaluation of the application guided by prudent lending practices will provide the foundation for safeguarding public resources. However, the City will require formal security instruments to safeguard public resources and indemnify the City from loss if the qualifying entity ceases operation, relocates or otherwise defaults or reneges on its contractual or implied obligations to the City.

The City of Las Cruces shall retain a security interest to protect its investment. The type of security will depend on the type of project and the type of assistance provided by the City. The type of security may include but not necessarily be limited to:

1. Letter of credit in the City's name;
2. Performance bond equal to the City's contribution to the project;
3. A mortgage or lien on property or equipment;
4. Pro-rated reimbursement of City's contribution should the company reduce the work force or leave the community prior to the agreed-upon term;
5. Various forms of insurance;
6. Personal guarantees by principals;
7. Other security agreeable to both parties.

**Inserted:** The security shall secure the qualifying entity's obligations based on terms stated in the project participation agreement and shall reflect the amount of public support provided to the qualifying entity and the substantive contribution expected from the qualifying entity.

## Section 8 Approval of Economic Development Project

An approved application and the conclusion of any necessary consultation and negotiation between the City and the applicant results in an economic development project. Final approval

of an economic development project rests with the City Council. The City Council shall approve each economic development project by ordinance.

## Section 9 Project Participation Agreement

Following an evaluated and approved application, the City and the applicant will develop a project participation agreement. The agreement is the formal document that sets out the contributions and obligations of both parties to the economic development project. The economic development project requires approval by ordinance of the Las Cruces City Council. The City Council will approve the project participation agreement. The project participation agreement will include but not be limited to the following items:

1. The economic development goals of the project;
2. The contributions to the project of the City and of the qualifying entity;
3. Schedule for project development and completion;
4. Measurable performance objectives;
5. Performance review procedures and actions to be taken to correct unsatisfactory performance;
6. Security provided to the City;
7. Manner by which the project may be terminated and the City's investment may be recovered; and
8. The time period in which the City will retain an interest in the project.

## Section 10 Plan Management

The city manager will have responsibility for management of the local economic development plan. Management tasks include project oversight, setting up separate financial accounts to track the use of public funds for economic development projects, record keeping and reporting, and project evaluation.

### 10.1 Program Revenues

All revenue derived from a project, reimbursements from unsuccessful or partially successful projects, and donations to the local economic development plan will be recorded and kept in a separate account.

## Section 11 Plan Amendment

As local conditions and the economic environment may endure changes and as implementation of the plan may reveal difficulties, the City Council may from time to time amend the local economic development plan by approval at a regularly scheduled meeting.

## Section 12 Termination

At any time after approval of the local economic development plan, the Las Cruces City Council may enact an ordinance terminating the local economic development plan and dissolving or terminating any or all projects. An ordinance repealing the local economic development plan shall not be effective unless the ordinance provides for satisfying existing contracts and the rights of the parties arising from those contracts.

Any unexpended and unencumbered balances remaining in any project fund or account upon repeal of the plan and termination or dissolution of a project may be transferred to the general fund.

### Inserted: ¶

Section 13 Legislative Updates As provided for by adoption of HB606 effective July 1, 2007:¶  
Section 5-10-2 NMSA 1978 is incorporated herein¶

B. The purpose of the Local Economic Development Act is to implement the provisions of the 1994 constitutional amendment to Article 9, Section 14 of the constitution of New Mexico to allow public support of economic development to foster, promote and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. Further, the purpose of that act is to allow municipalities and counties to enter into joint powers agreements to plan and support regional economic development projects, including investments in arts and cultural districts created pursuant to the Arts and Cultural District Act.¶  
Section 5-10-3 NMSA 1978 is incorporated herein¶  
DEFINITIONS--As used in the Local Economic Development Act:¶

A. "arts and cultural district" means a developed district of public and private uses that is created pursuant to the Arts and Cultural District Act.¶  
[A-] B. "cultural facility" means a facility that is owned by the state, a county, a municipality or a qualifying entity that serves the public through preserving, educating and promoting arts and culture of a particular locale, including theaters, museums, libraries, galleries, cultural compounds, educational organizations, performing arts venues and organizations, fine arts organizations, studios and media laboratories and live-work housing facilities.¶

[B-] C. "department" means the economic development department.¶  
[C-] D. "economic development project" or "project" means the provision of direct or indirect assistance to a qualifying [business] entity by a local or regional government and includes the purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure; public works improvements essential to the location or expansion of a qualifying [business] entity; payments for professional services contracts necessary for local or regional governments to implement a plan or project; the provision of direct loans or grants for land, buildings or infrastructure; technical assistance to publicly owned cultural facilities; loan guarantees securing the cost of land, buildings or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax or the county infrastructure gross receipts tax; grants for public works infrastructure improvements essential to the location or expansion of a qualifying [business] entity; grants or subsidies to publicly owned cultural facilities; purchase of land for a publicly held industrial park or a publicly owned cultural facility; and the construction of a building for use by a qualifying [business] entity.¶  
[D-] E. "governing body" means the city council, [or] city commission [of a city, the] or board of trustees of a [town or village] municipality or the board of county commissioners of a county;¶  
[E-] F. "local government" means a municipality or county;¶  
[F-] G. "municipality" means an incorporated city, town or village;¶

... [1]

Section 13 Legislative Updates As provided for by adoption of HB606 effective July 1, 2007:

**Section 5-10-2 NMSA 1978** is incorporated herein

B. The purpose of the Local Economic Development Act is to implement the provisions of the 1994 constitutional amendment to Article 9, Section 14 of the constitution of New Mexico to allow public support of economic development to foster, promote and enhance local economic development efforts while continuing to protect against the unauthorized use of public money and other public resources. Further, the purpose of that act is to allow municipalities and counties to enter into joint powers agreements to plan and support regional economic development projects, including investments in arts and cultural districts created pursuant to the Arts and Cultural District Act."

**Section 5-10-3 NMSA 1978** is incorporated herein

DEFINITIONS.--As used in the Local Economic Development Act:

A. "arts and cultural district" means a developed district of public and private uses that is created pursuant to the Arts and Cultural District Act;

~~[A.]~~ B. "cultural facility" means a facility that is owned by the state, a county, a municipality or a qualifying entity that serves the public through preserving, educating and promoting arts and culture of a particular locale, including theaters, museums, libraries, galleries, cultural compounds, educational organizations, performing arts venues and organizations, fine arts organizations, studios and media laboratories and live-work housing facilities

~~[B.]~~ C. "department" means the economic development department;

~~[C.]~~ D. "economic development project" or "project" means the provision of direct or indirect assistance to a qualifying ~~[business]~~ entity by a local or regional government and includes the purchase, lease, grant, construction, reconstruction, improvement or other acquisition or conveyance of land, buildings or other infrastructure; public works improvements essential to the location or expansion of a qualifying ~~[business]~~ entity; payments for professional services contracts necessary for local or regional governments to implement a plan or project; the provision of direct loans or grants for land, buildings or infrastructure; technical assistance to publicly owned cultural facilities; loan guarantees securing the cost of land, buildings or infrastructure in an amount not to exceed the revenue that may be derived from the municipal infrastructure gross receipts tax or the county infrastructure gross receipts tax; grants for public works infrastructure improvements essential to the location or expansion of a qualifying ~~[business]~~ entity; grants or subsidies to publicly owned cultural facilities; purchase of land for a publicly held industrial park or a publicly owned cultural facility; and the construction of a building for use by a qualifying ~~[business]~~ entity;

~~[D.]~~ E. "governing body" means the city council, ~~[or]~~ city commission ~~[of a city, the]~~ or board of trustees of a ~~[town or village]~~ municipality or the board of county commissioners of a county;

~~[E.]~~ F. "local government" means a municipality or county;

~~[F.]~~ G. "municipality" means an incorporated city, town or village;

~~[G.]~~ H. "person" means an individual, corporation, association, partnership or other legal entity;

~~[H.]~~ I. "qualifying entity" means a corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two or more of the following:

- (1) an industry for the manufacturing, processing or assembling of agricultural or manufactured products;

(2) a commercial enterprise for storing, warehousing, distributing or selling products of agriculture, mining or industry, but, other than as provided in Paragraph (5) or (6) of this subsection, not including any enterprise for sale of goods or commodities at retail or for distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilities;

(3) a business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in Paragraph (5) of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;

(4) an Indian nation, tribe or pueblo or a federally chartered tribal corporation;

(5) a telecommunications sales enterprise that makes the majority of its sales to persons outside New Mexico;

(6) a facility for the direct sales by growers of agricultural products, commonly known as farmers' markets; [ø]

(7) a business that is the developer of a metropolitan redevelopment project; and

(8) a publicly owned cultural facility; and

J. "regional government" means any combination of municipalities and counties that enter into a joint powers agreement to provide for economic development projects pursuant to a plan adopted by all parties to the joint powers agreement."

**Section 10. Section 5-10-5 NMSA 1978** is incorporated herein

ECONOMIC DEVELOPMENT DEPARTMENT--TECHNICAL ASSISTANCE.--At the request of a local or regional government, the department shall provide technical assistance in the development of an economic development plan or economic development project or technical assistance to cultural facilities with respect to economic development projects.

**Section 11. Section 5-10-6 NMSA 1978** is incorporated herein

ECONOMIC DEVELOPMENT PLAN--CONTENTS--PUBLICATION.--

A. Every local or regional government seeking to pursue economic development projects shall adopt an economic development plan or a comprehensive plan that includes an economic development component, and an economic development plan or comprehensive plan may include an analysis of the role of arts and cultural activities in economic development. The plan may be specific to a single economic development goal or strategy or may include several goals or strategies, including any goals or strategies relating to economic development through arts and cultural activities. Any plan or plan amendment shall be adopted by ordinance of the governing body of the local government or each local government of a regional government proposing the plan or plan amendment.

B. The economic development plan or the ordinance adopting the plan may:

(1) describe the local or regional government's economic development and community goals, including any economic development goals with an arts and cultural component, and assign priority to and strategies for achieving those goals;

**Section 12. Section 5-10-9 NMSA 1978** is incorporated herein

C. The local or regional government may negotiate with a qualifying [business] entity on the type or amount of assistance to be provided or on the scope of the economic development project.

As provided for by adoption of HB352 effective July 1, 2013:

**Section 5-10-10 NMSA 1978** is incorporated herein

5-10-10. PROJECT PARTICIPATION AGREEMENT--DUTIES AND REQUIREMENTS.--

A. The local or regional government and the qualifying entity shall enter into a project participation agreement.

B. The local or regional government shall require a substantive contribution from the qualifying entity for each economic development project. Public support provided for an economic development project shall be in exchange for a substantive contribution from the qualifying entity. The contribution shall be of value and may be paid in money, in-kind services, jobs, expanded tax base, property or other thing or service of value for the expansion of the economy.

C. The qualifying entity shall provide security to each local or regional government, the state or any other New Mexico governmental entity providing public support to the economic development project. The security shall secure the qualifying entity's obligations based on terms stated in the project participation agreement with the local or regional government and shall reflect the amount of public support and substantive contribution expected. If a qualifying entity fails to perform its substantive contribution, the local or regional government shall enforce the project participation agreement to recover that portion of the public support for which the qualifying entity failed to provide a substantive contribution. The recovery shall be proportional to the failed performance of the substantive contribution and shall take into account all previous substantive contributions performed by the qualifying entity, based on the terms stated in the project participation agreement.

[C.] D. The participation agreement at a minimum shall set out:

- (1) the contributions to be made by each party to the participation agreement;
- (2) the security provided to [~~the local or regional government~~] each governmental entity that provides public support for an economic development project by the qualifying entity in the form of a lien, mortgage or other indenture and the pledge of the qualifying business's financial or material participation and cooperation to guarantee the qualifying entity's performance pursuant to the project participation agreement;
- (3) a schedule for project development and completion, including measurable goals and time limits for those goals; and
- (4) provisions for performance review and actions to be taken upon a determination that project performance is unsatisfactory.