

# City of Las Cruces®

PEOPLE HELPING PEOPLE

## Council Action and Executive Summary

Item # 7 Ordinance/Resolution# 2747

For Meeting of February 17, 2015  
(Ordinance First Reading Date)

For Meeting of March 2, 2015  
(Adoption Date)

Please check box that applies to this item:

QUASI JUDICIAL       LEGISLATIVE       ADMINISTRATIVE

**TITLE:** AN ORDINANCE IN ACCORD WITH THE CITY OF LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN, AUTHORIZING THE CITY OF LAS CRUCES TO ACT AS FISCAL AGENT FOR A LOCAL ECONOMIC DEVELOPMENT ACT PROJECT KNOWN AS THE FRANCO WHOLE FOODS – SOUTHWEST LLC PROJECT.

**PURPOSE(S) OF ACTION:**

Approve a LEDA project.

<b>COUNCIL DISTRICT:</b> District Four		
<b><u>Drafter/Staff Contact:</u></b> Gary Camarano	<b><u>Department/Section:</u></b> Administration / Economic Development	<b><u>Phone:</u></b> 541-2286
<b><u>City Manager Signature:</u></b>		

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

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

One of the tools available to the City in its economic development efforts is the Local Economic Development Act. Known as LEDA (Act), the Act authorizes local government to use public resources for economic development projects. 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. As required by the Act, the City has produced and adopted an Economic Development Plan 2013 that allows it to implement the authority provided by the Act.

The purpose of local economic development is to create a dynamic local economy with increasingly abundant and rewarding employment and investment opportunities for all Las Cruces residents and an economy 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

(Continue on additional sheets as required)

to employees and investors. Currently the City has an opportunity to advance its economic plan and assist a qualified entity, Franco Whole Foods – Southwest LLC (FWFSW). FWFSW has applied for Act assistance from the City. The New Mexico Development Department anticipates assisting FWFSW with a \$75,000.00 grant with the City matching those funds with a \$75,000.00 grant.

The Economic Development Project (Project) located at 845 West Amador, Las Cruces, New Mexico is expected to create over 160 full time jobs and over \$3,500,000.00 in facility investment. FWFSW utilizes state of the art equipment and techniques in their food manufacturing facility. It is in an industry sector that the City desires to expand on. They are leaders in a growing food trend domestically and internationally.

Although the Project is expected to create over 160 jobs, the job creation criteria to support this funding is (1) a total of 50 jobs to be created at the West Amador Facility by the FWFSW's third consecutive year of operation and (2) the maintaining of 50 jobs for two full consecutive years. If FWFSW meets these two conditions at any time during the first five years of operation, then any City Clawbacks against the \$75,000.00 Act funding are removed.

The first step in completing the Project is to authorize the City to act as Fiscal Agent for the Project. This will allow the City to accept the grant funds from the State, provide a local match, disburse those funds to FWFSW and monitor the Project for job creation.

**SUPPORT INFORMATION:**

1. Ordinance.
2. Exhibit "A", Project Participation Agreement.
3. Exhibit "B", Intergovernmental Agreement.
4. Attachment "A", Letter of Request for City Assistance.
5. Attachment "B", State of New Mexico LEDA – Capital Outlay Project Application.
6. Attachment "C", Economic Impact Statement.
7. Attachment "D", City of Las Cruces LEDA Application.

**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 allow the City to act as Fiscal Agent for this Project and to allow this Project to proceed and ultimately create jobs.
2. Vote "No"; this will deny the necessary economic development assistance required for the Project to be completed and create jobs for the community.
3. Vote to "Amend"; this could delay the Project or cause the Project to terminate.
4. Vote to "Table"; this could delay the Project and the desired economic development and job creation.

**REFERENCE INFORMATION:**

The resolution(s) and/or ordinance(s) listed below are only for reference and are not included as attachments or exhibits.

1. Ordinance No. 2697.

(Continue on additional sheets as required)

COUNCIL BILL NO. 15-028  
ORDINANCE NO. 2747

**AN ORDINANCE IN ACCORD WITH THE CITY OF LAS CRUCES LOCAL ECONOMIC DEVELOPMENT PLAN, AUTHORIZING THE CITY OF LAS CRUCES TO ACT AS FISCAL AGENT FOR A LOCAL ECONOMIC DEVELOPMENT ACT PROJECT KNOWN AS THE FRANCO WHOLE FOODS – SOUTHWEST LLC PROJECT.**

The City Council of the City of Las Cruces is informed that:

**WHEREAS**, the City of Las Cruces (City), New Mexico, a municipal corporation, considers economic development and job creation extremely important to the livability of the community; and

**WHEREAS**, the City Council passed Ordinance 2697 on October 21, 2013, adopting the Local Economic Development Plan 2013, allowing the City to use public resources for economic development projects that retain, create and attract jobs into the community; and

**WHEREAS**, Franco Whole Foods – Southwest LLC (FWFSW) is a qualifying entity under the Local Economic Development Act (Act) and has acquired a leasehold interest in the real property, building and improvements at 845 West Amador, Las Cruces, New Mexico, and is committed to developing a food production factory facility and has applied for Act assistance from the City; and

**WHEREAS**, the New Mexico Economic Development Department anticipates contributing a \$75,000.00 grant to the FWFSW Project; and

**WHEREAS**, the City intends to match those funds with a \$75,000.00 grant; and

**WHEREAS**, the City is required to act as Fiscal Agent for any projects they are participating in.

**NOW, THEREFORE,** Be it Ordained by the Governing Body of the City of Las Cruces:

**(I)**

**THAT** the City is hereby authorized to act as Fiscal Agent for the Act Project known as the FWFSW Project as set forth in the Project Participation Agreement attached hereto as Exhibit "A".

**(II)**

**THAT** the City will be prepared to accept a State grant at a future date when those funds are made available.

**(III)**

**THAT** the City shall execute, at the appropriate time, an Intergovernmental Agreement with the New Mexico Economic Development Department attached hereto as Exhibit "B".

**(IV)**

**THAT** this Ordinance has been published prior to its adoption and shall be published at least once after adoption, pursuant to Sections 3-2-1, et.seq., and 3-54-1, et.seq., NMSA 1978, as amended.

**(V)**

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

**DONE AND APPROVED** this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

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

(SEAL)

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

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

APPROVED AS TO FORM:

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

VOTE:

Mayor Miyagishima: \_\_\_\_\_

Councillor Silva: \_\_\_\_\_

Councillor Smith: \_\_\_\_\_

Councillor Pedroza: \_\_\_\_\_

Councillor Small: \_\_\_\_\_

Councillor Sorg: \_\_\_\_\_

Councillor Levatino: \_\_\_\_\_

## **PROJECT PARTICIPATION AGREEMENT**

This Project Participation Agreement (this "**Agreement**") entered into on \_\_\_\_ February, 2015 by and between the City of Las Cruces, a New Mexico Municipal Corporation (the "**COMMUNITY**"), and Franco Whole Foods – Southwest, LLC, a New Mexico limited liability company (the "**PROJECT PARTY**").

### 1. Recitals:

A. Pursuant to the Local Economic Development Act, NMSA 1978, §§ 5-10-1 through 5-10-13, (**LEDA**); the COMMUNITY adopted the Ordinance No. 2697, authorizing the COMMUNITY to consider applications for economic development assistance; and Ordinance No. \_\_\_\_\_ approving an Economic Development Project with the PROJECT PARTY (collectively, the "**LEDA Ordinance**").

B. The PROJECT PARTY has submitted an application to the COMMUNITY for assistance under the LEDA Ordinance (the "**Application**"). In the Application, the PROJECT PARTY has represented that PROJECT PARTY has acquired a leasehold interest in the real property, building and improvements located at 875 W. Amador, Las Cruces, New Mexico (the "**Site**") and committed to develop a food production factory facility (the "**Facility**") in accordance with the Application for Development Incentives Plan (the "**Plan**"). The application also proposes that the COMMUNITY act as Fiscal Agent for approximately three to five years, five years being the maximum period granted by the State of New Mexico through the Economic Development Department ("**EDD**") to achieve maintaining 50 full time jobs for two full consecutive years at the Facility. The PROJECT PARTY will then develop the Site using the grant monies ("**Grant Funds**") to build the Facility as described in the Plan.

C. The COMMUNITY finds that the PROJECT PARTY is a qualifying entity as defined in Section 5-10-3 (G) NMSA 1978 and that this Agreement meets the requirements of LEDA.

2. Substantive Contribution from the COMMUNITY: In order to implement the Plan Project, the COMMUNITY will act as Fiscal Agent for EDD Grant Funds provided for the Project. In addition, the COMMUNITY will provide \$75,000 in local Grant Funds and act as Project Management to the Plan Project after certification.

3. Substantive Contribution from the PROJECT PARTY: The PROJECT PARTY will materially participate by acting as developer and taking responsibility for economic development. The terms and obligations of the parties under the LEDA Ordinance and Application are incorporated into this Agreement by reference, and identified in the listing attached hereto as Exhibit "A". The economic development substantive contribution requirement obligation of the PROJECT PARTY is as follows:

A. The applicable five year job creation period shall commence on the earliest first day of the calendar month that occurs 90 days or more after the date that the certificate of occupancy is issued for the Facility ("**Period Commencement Date**");

B. A total of 50 full time jobs to be created at the Facility by the completion of the Company's 2nd full year of operations (i.e., by the 2<sup>nd</sup> anniversary of the Period Commencement Date);

C. Maintaining 50 full time jobs for two full consecutive years at the Facility (a year for this purpose is a twelve calendar month period that commences with the Period Commencement Date month or anniversary month) (the "**Jobs Requirement**");

D. Upon satisfaction of the requirement set forth in C. immediately preceding this subparagraph D., within the five year job creation period or shorter period, the Clawback Provision (as hereinafter defined) will cease to be applicable;

F. If by the fifth anniversary of the Period Commencement Date, PROJECT PARTY has not achieved Jobs Requirement, PROJECT PARTY shall reimburse any percentage of the Grant Funds for the percentage of jobs that were not created and maintained (i.e., if only 90% of the requisite jobs were created and maintained, then 10% of the Grant Funds will be reimbursed; similarly if only 80% of the requisite jobs were created and maintained, then 20% of the Grant Funds will be reimbursed) (the "**Clawback Provision**").

4. Security Provided to the EDD: In order to safeguard the public resources dedicated to success of this project, COMMUNITY will require a security from PROJECT PARTY in the amount of the Grant Funds [\$150,000, \$75,000 for the State's security, and \$75,000 for the City's security] to guarantee the Clawback Provision obligation of the PROJECT PARTY. If the PROJECT PARTY has fully satisfied all or a percentage of the Jobs Requirement such that the Clawback Provision obligation is terminated or reduced, the Bond requirement will cease or the bond amount will be correspondingly reduced commencing on the 2<sup>nd</sup> anniversary of the Period Commencement Date, as the case may be. Any funds recovered by the COMMUNITY pursuant to the bond shall be shared equally with EDD, with EDDs share returned to EDD within thirty (30) days after they are received by the COMMUNITY.

5. Review: COMMUNITY will review project timeline, progress and job creation bi-annually in May and November of each year until the earlier of the 6th anniversary of this Agreement, or until the PROJECT PARTY is confirmed to have fully satisfied the Jobs Requirement in full. Job creation reports shall include a copy of FORM ES-903 provided by the PROJECT PARTY to the COMMUNITY, on file with the New Mexico Department of Workforce Solutions to demonstrate compliance with this Agreement at each review cycle, and another at thirty (30) days prior to the anniversary date of this Agreement, for a period of ending on the earlier of the 6th anniversary of this Agreement, or until the

PROJECT PARTY is confirmed to have satisfied the Jobs Requirement in full.

6. Compliance with Statutes: COMMUNITY states that it has complied with the requirements of New Mexico Statutes and the Las Cruces Municipal Code and has authorization to enter into this AGREEMENT.

7. Governing Laws: This Agreement is be subject to the laws of the State of New Mexico.

8. Permits and Licenses: PROJECT PARTY agrees that COMMUNITY has no direct responsibility for PROJECT PARTY to make application and obtain required permits and/or licenses related to use of the site and facility and is not guaranteeing any particular outcome with respect to such application, other than that the COMMUNITY agrees to cooperate with PROJECT PARTY to expeditiously process the entitlements and other approvals required by the COMMUNITY to approve the Project.

9. Ratification: COMMUNITY and PROJECT PARTY hereby ratify all actions consistent with this Agreement that COMMUNITY or PROJECT PARTY or their respective agents may have taken in furtherance of the Plan Project.

10. Miscellaneous: The language of the Recitals shall have the same force and effect as the agreement provisions this Agreement. This Agreement binds and insures to the benefit of the COMMUNITY the PROJECT PARTY and their respective successors and assigns. This Agreement may be amended or modified, and the performance by any party of its obligations hereunder may be waived, only in a written instrument duly executed by the parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument. This Agreement is governed by and is to be construed in accordance with the laws of the State of New Mexico, without giving effect to its choice-of-law principles.

11. Term of this Agreement: The termination date of this Agreement will be agreed upon by COMMUNITY and PROJECT PARTY within ninety (90) days after PROJECT PARTY has satisfied the Jobs Requirement in full, or, in any event, shall terminate on the sixth (6<sup>th</sup>) anniversary of this Agreement.

In witness whereof, the parties hereto set their hands as of the date first appearing above.

COMMUNITY:  
City of Las Cruces

PROJECT PARTY:  
Franco Whole Foods – Southwest, LLC

By \_\_\_\_\_  
Robert Garza  
City Manager

By \_\_\_\_\_  
Mike Franco  
President

**EXHIBIT "A"**

**LISTING OF APPLICABLE LEDA ORDINANCES AND APPLICATION**

LEDA Application submitted by Franco Whole Foods – Southwest, LLC

Economic Impact Analysis

**INTERGOVERNMENTAL AGREEMENT  
NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT AND  
THE CITY OF LAS CRUCES, NEW MEXICO**

This Intergovernmental Agreement ("Agreement") is entered into as of the date of the last signature affixed below by and between the New Mexico Economic Development Department ("EDD") and the City of Las Cruces ("City"), and collectively referred to as "the Parties," with reference to the following facts.

**SECTION 1: RECITALS:**

**WHEREAS**, the New Mexico State Legislature enacted Laws 2014, Chapter 63, Section 5, Subsection 33 which appropriated ten million dollars (\$10,000,000) to EDD "[f]or economic development projects pursuant to the Local Economic Development Act" (the "Appropriation"); and

**WHEREAS**, the purpose of the Local Economic Development Act, NMSA 1978 §§ 5-10-1 through 5-10-13 (2007) ("LEDA"), is to provide "public support for economic development to foster, promote and enhance local economic development efforts...;" and

**WHEREAS**, the City has adopted LEDA by Ordinance No. 2697, which established the City's Economic Development Plan that promotes economic development within the City; and

**WHEREAS**, the City has adopted Ordinance No. \_\_\_\_\_ ("Ordinance") to approve the economic development project ("Project") to support the acquisition of real property to facilitate the expansion of the existing operations of Franco Whole Foods – Southwest, LLC ("FWFSW"); and

**WHEREAS**, the City has entered into a Local Economic Development Project Participation Agreement (“PPA”) with FWFSW and, pursuant to the terms of that PPA, will provide a substantive contribution in exchange for the public contribution. A copy of the PPA and any amendments are attached hereto as Exhibit A; and

**WHEREAS**, EDD and the City desire to enter into this Agreement to facilitate disbursement of funds for the Project;

**NOW THEREFORE**, the Parties do hereby agree to the following terms and conditions to accomplish the Project.

**SECTION 2. PURPOSE OF AGREEMENT:**

The purpose of this Agreement is to place the primary responsibility on the City for overseeing and administering the appropriation for the Project. It is the intent of the Parties that EDD will transfer an amount not to exceed seventy-five thousand dollars (\$75,000) from the appropriation to the City for expenditures made to implement the Project. The Parties agree that any and all State funds received will be accounted for by the City as the Fiscal Agent for EDD in accordance with the procedures the City will use to account for its own funds and property used to implement the project, or any properties acquired or developed by the City as a result of implementation of the Project will be used by the City for economic development purposes only.

**SECTION 3. SCOPE OF WORK:**

The City will act as Fiscal Agent for the appropriation supporting the Project. EDD will transfer an amount not to exceed seventy-five thousand dollars (\$75,000) from the appropriation to the City for expenditures made to implement the Project, pursuant to Section 5-10-3(D) of LEDA. In exchange for the appropriation, FWFSW will create 50

jobs at its Las Cruces location during the two (2) years after the execution of this Agreement and maintain them for two (2) years thereafter. The City will review the project timeline and progress annually until the four-year anniversary of this Agreement or until it certifies to the City and EDD that the requisite substantive contribution has been provided.

EDD and the City agree that failure of FWFSW to make the required contribution will result in a violation of the terms and conditions of this Agreement. Such violation, after any cure period granted, will require that the City foreclose on the security interest. All the terms, conditions and requirements set forth under the PPA are incorporated into this Agreement by reference. Any funds recovered by the City pursuant to the PPA or this IGA shall be returned to EDD within 30 days.

#### **SECTION 4. CITY OF LAS CRUCES RESPONSIBILITIES:**

The City shall:

1. Submit all documentation supporting expenditures made to implement the Project in a format acceptable to EDD;
2. Notify EDD in writing of any default by FWFSW within 10 days of the event of default;
3. Serve as Fiscal Agent for the funds transferred to it under this Agreement;
4. Complete all of the following goals identified in this Agreement within the time limits agreed upon by the Parties:
  - a. Account for receipts and disbursements of reimbursed funds;
  - b. Provide EDD with the required financial documentation pertaining to this disbursement;

- c. Submit all required and reasonably requested documentation to EDD including the endorsed LEDA Ordinance approved by the City Council accepting the Project as a qualifying entity for LEDA, with the accompanying endorsed Project Application and PPA entered into by the City and Accurate, a fully executed copy of the security interest, and copies of invoices and other documentation as required by EDD within the time required; and
5. Not impose any obligations on EDD with respect to the administration of this Project, other than the reimbursement of funds described in this Agreement; and
6. Monitor job creation by FWFSW and report the number of jobs created twice yearly to EDD for a period of three years following completion of the Project. Job reports shall include a copy of FORM-903 provided by FWFSW to the City, on file with the New Mexico Department of Workforce Solutions.

The Parties shall create a schedule listing all such time limits which shall then be appended to this Agreement and thereupon incorporated into this Agreement and made a part hereof by this reference as though set forth in full.

#### **SECTION 5. CITY CERTIFICATIONS:**

As Fiscal Agent, the City hereby assures and certifies that:

1. It will comply with all applicable State laws, regulations, policies, guidelines and requirements with respect to the acceptance and use of State funds;

2. It has the legal authority to receive and expend the funds;
3. It will enforce the provisions of Ordinance No. \_\_\_\_\_ approving the Project;
4. It has exercised due diligence in certifying that the Project is a viable economic development initiative with potential long term economic development benefits;
5. It will provide EDD all documentation and references to expertise it has relied upon in approving this Project upon receipt thereof or reliance thereupon and copies of all reports and documentation it receives from Accurate;
5. It has entered into a PPA and has obtained all financial documentation necessary to protect the City's and the State's investments in this project;
6. It shall not at any time during the life of this Agreement convert any property acquired or developed pursuant to this Agreement to uses other than those within the Project description as defined in Section 2 - Purpose of Agreement and Section 3 - Scope of Work stated above;
7. It will notify EDD of any default within 10 days of the event of default. Further, the City shall provide the opportunity for any default to be cured by the Companies in accordance with the PPA prior to termination thereof.
8. No member, officer, or employee of the City or its designees or agents, no member of the governing body of the locality of which the program is situated, and no other public official that exercises any functions or responsibilities with respect to the Project during his/her tenure, or for one

(1) year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the process thereof, for work to be performed in connection with the Project that is the subject of this Agreement. The City shall incorporate in all contracts or subcontracts a provision prohibiting such interest pursuant to this certification; and

10. It has complied with Article IX, Section 14 of the New Mexico Constitution, known as the "anti-donation clause."

#### **SECTION 6. EDD RESPONSIBILITIES:**

EDD shall:

1. Transfer an amount not to exceed seventy-five thousand dollars (\$75,000) from the appropriation to the City for expenditures made to implement the Project; and
2. At its discretion, review and audit the Project if it is deemed to be necessary or desirable.

#### **SECTION 7. TERM OF AGREEMENT:**

This Agreement shall become effective on the date it is fully executed and shall terminate when FWFSW documents that the required substantive contribution has been provided.

#### **SECTION 8. LIABILITY:**

No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Any liability incurred in connection with this Agreement is subject to the immunities and limitations of the New Mexico Tort Claims Act, NMSA 1978, §§ 41-4-1, et seq. The Parties may agree to reimburse one another under these liability

provisions, subject to sufficient appropriation by the New Mexico Legislature or sufficient funds being available to the Party, as determined by the Party responsible for payment.

**SECTION 9. DISPOSITION OF PROPERTY; RECORDS; RETURN OF SURPLUS FUNDS:**

1. Property purchased under this Agreement for the Project shall remain with the purchasing Party unless otherwise agreed upon.
2. The City shall keep such records as will fully disclose the amount and disposition of the total funds from all sources budgeted for the Project, the purposes for which such funds were used, and such other records as EDD may require.
3. If, upon the expiration of the Project or the termination date of this Agreement, any surplus funds are possessed by the City, the City shall return said funds to EDD for disposition in accordance with law.

**SECTION 10. STRICT ACCOUNTABILITY:**

The City shall be strictly accountable for receipts and disbursements relating hereto and shall make all relevant financial records available to EDD and the New Mexico State Auditor quarterly or upon request, and shall maintain all such records for a period of six (6) years following completion of all the records and any audits.

**SECTION 11. REPORTS:**

The City shall submit bi-annual reports in May and November of each year during the life of this Agreement to EDD respecting direct and indirect job creation and retention attributable to the State appropriation and a Final Report EDD on or before the termination of this Agreement. The Final Report shall contain a description of work

accomplished, the methods and procedures used, a detailed budget breakdown of expenditures, a description of any problems or delays encountered and the reasons therefore, and such other information as may be requested by EDD.

**SECTION 12. NOTICES; REPRESENTATIVES OF THE PARTIES:**

Any notice required to be given to a Party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. Mail, either first class or certified, return receipt requested, postage prepaid, as follows. The Parties hereby designate the individuals named below as their representative responsible for overall administration of this Agreement.

**To EDD:**

Antoinette Vigil  
Financial Development Team Leader  
Joseph Montoya Building  
1100 St. Francis Drive  
Santa Fe, New Mexico 87505  
antoinette.vigil@state.nm.us

**To the City:**

Gary Camarano  
Economic Development Coordinator  
City Hall  
700 North Main St.  
Suite 3300  
Las Cruces, NM 88001  
gcamarano@las-cruces.org

**SECTION 13. AMENDMENTS:**

This Agreement shall not be altered, changed, or amended, except by instrument in writing executed by all of the Parties hereto.

**SECTION 14. GOVERNING LAW:**

This Agreement shall be governed by the laws of the State of New Mexico.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the last date of signature below,

CITY OF LAS CRUCES, NEW MEXICO

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM

By: \_\_\_\_\_

Attorney for the City of Las Cruces

ECONOMIC DEVELOPMENT DEPARTMENT

By: \_\_\_\_\_

Jon Barela

Its: Cabinet Secretary

Date: \_\_\_\_\_

By: \_\_\_\_\_

Wade Jackson

Its: General Counsel, certifying legal sufficiency



Mr. Garza  
City Manager  
City of Las Cruces, NM

December 22, 2014

Dear Mr. Garza

Franco Whole Foods – Southwest, LLC, C/O , is requesting assistance in the amount of \$75,000.00 dollars from the Las Cruces LEDA fund source. These funds will assist with the development of the food processing plant currently being built at 875 W. Amador.

Regards,

A handwritten signature in black ink, appearing to read "Mike Franco". The signature is fluid and cursive, written over a light background.

Mike Franco  
Franco Whole Foods – Southwest  
825 W. Amador  
Las Cruces, Nm 88001



**State of New Mexico**

**LEDA – Capital Outlay Project Application**

**Submitted By:**

Franco Whole Foods, LLC, ("FWF.SD")

Franco Whole Foods – Southwest LLC, ("FWF.SW")

**Date: November, 2014**

**FRANCO WHOLE FOODS – Southwest LLC.**

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**Applicant Information**

**Legal Name:**

Franco Whole Foods, LLC, a California limited liability Company (FWF.SD)  
Franco Whole Foods, LLC, a New Mexico limited liability Company (FWF.SW)

**Project Name:**

FWF.SW West Amador Facility (**See Note 1 below**)

**Address:**

West Amador Facility address is 845 West Amador, Las Cruces, NM. 88005. Until the Project construction is completed, FWF.SW's mailing address is:

Franco Whole Foods – Southwest, LLC  
PO Box 12547  
El Paso, Texas 79913

**Telephone and Fax Numbers:**

Telephone: 619-863-4571  
Fax: 619-863-4574

**Tax ID Numbers:**

FWF.SD: 26-2747702  
FWF.SW: 36-4778067

**NM Entity Number:**

4860284

**City/County Business License No.**

Not applied for yet.

**Company Documents:**

FWF.SD California Articles of Organization (**attached as A.1**)  
FWF.SD Company Agreement (**attached as A.2**)  
FWF.SW New Mexico Certificate of Organization (**attached as A.3**)  
FWF.SW Operating Agreement (**attached as A.4**)

**Resumes of all principals (Owners, Managers and Officers)**

The attached **Schedule C2.1** is a list of all Owners/Investors and Manager.  
The attached **Schedule C2.2** includes resumes for each Owner, Manager and Officer.

**Note 1:** *During 2014, FWF.SD established FWF.SW as a NM company for the purpose of establishing an uncooked tortilla facility located in an approximate 40K sq. ft. building located at 845 West Amador, Las Cruces, NM.*

### A1. Description of Proposed Development:

Franco Whole Foods, LLC ("FWF.SD") is a California limited liability company, organized under the statutes of the State of California on July 17, 2008, with its single tortilla manufacturing facility and offices located at 1225 Exposition Way, San Diego California 92154. FWF.SD was created to take advantage of over 50+ years of Franco family experience in the manufacturing, development and distribution of tortillas. Most significant, Gus Franco, founder and President of FWF.SD, is a pioneer in the development of **uncooked** tortillas.

FWF.SD's focus, from its inception, has been the development of uncooked tortilla recipes and the production and sale of high-quality uncooked flour tortillas, as well as uncooked multigrain flatbreads. Presently, FWF.SD's manufacturing facility in San Diego consists of a single "clean room" with 4 installed uncooked tortilla lines, (with each line producing uncooked tortillas at an hourly rate of 650 dozen per hour). The San Diego Facility has been approaching full capacity, with its 4 lines running 2 labor shifts per day (16 hours). ***This represents a monthly capacity per line of approximately 208,104 packages of 1 dozen uncooked tortillas.*** As a result, FWF.SD began planning the construction of a second uncooked tortilla facility.

### A2 Description of Scope of Work and Business Plan:

Below is a description of the full scope of the planned investment by FWF.SW to complete the uncooked tortilla plant. **One component of the project, (which we plan on using the \$75,000 LEDA award to fund), is the City of Las Cruces required infrastructure improvements at the 2.1 acre West Amador facility. These infrastructure improvements include fire sprinkler yard lines and riser; underground ponding; landscaping; concrete work required for the dumpster, ADA/ vehicle ramps, curbs, sidewalk, loading docks, etc; and asphalt paving of the parking lot.**

During the first quarter of 2014, FWF.SD decided to locate its 2<sup>nd</sup> uncooked tortilla facility in Las Cruces, New Mexico and established Franco Whole Foods – Southwest, LLC. ("FWF.SW") to construct and operate this second uncooked tortilla facility. Effective May 1, 2014, FWF.SW entered into a long term lease/purchase agreement covering an approximate 40,000 square foot facility (on 2.1 acres) and located at 845 West Amador, Las Cruces, NM. 88005 (the "West Amador Facility"). Site plan is attached as **Schedule A2.1**. The West Amador Facility will require extensive improvements and upon completion will consist of three "clean" rooms, each with up to five uncooked tortilla lines. It is expected that this facility will provide in excess of three times the production capacity of the existing San Diego facility.

The necessary investment to build out the West Amador Facility will include first (1): all the necessary engineering, design, structural improvements, utility service and installation, air and water conditioning, clean room build-out, cold storage and all the additional necessary improvements to accommodate the installation and operation of

up to 12 to 15 uncooked tortilla production lines, then (2): the installation of each of the individual 12 to 15 uncooked tortilla lines (each requiring dough mixers, dough dividers, proofers, tortilla presses, cooling conveyers, packaging and sealing equipment).

The West Amador Facility investment is being funded by FWF.SD and the existing owners/investors of FWF.SD. The complete build out of the West Amador Facility is planned to take place in three Phases. Phase I is the planned West Amador Facility improvements described in (1) above, of the previous paragraph, and Phase II are the costs to acquire and install two of the uncooked tortilla lines (again, as described in (2) above, of the previous paragraph). The completion of Phases I and II is targeted by the end of 2014. The final Phase III, will then be the costs to acquire and install the remaining (10 to 13) uncooked tortilla lines, which we expect will be completed during the first half of 2015. Total estimated 2014 capital costs for Phase I and II are \$1,023K and \$393K respectively and the detailed listing of these expected 2014 capital costs are listed on **Schedules A2.2 and A2.2.1** attached. The Phase III capital costs, which are expected to be incurred during the first half of 2015, total \$2,162K.

### **A3 Business Plan and Further Information:**

#### **A3.1 Market Analysis and Strategy:**

The markets that FWF.SW has identified and targeted are the food service, club and retail market sectors such as COSTCO, SAM'S Clubs, Wal-Mart, HEB and other retail food chains where Gus Franco and FWF.SD continues to have strong contacts and sales relationships. Furthermore, this initial client and customer base has indicated their interest in purchasing additional volumes of uncooked tortilla products from Franco Whole Foods, as product and capacity becomes available.

The demand and popularity for uncooked flour tortilla has substantially increased over the last few years as a result of its superior taste (little or no preservatives), wholesome qualities and fresh baked concept. As a result, the uncooked tortilla is expected to continue to capture a greater market share of the tortilla market, where it continues to replace similar round breads across many cultures. The fresh baked concept is a straight forward idea, which has gained tremendous acceptance throughout the marketplace. The dual impact of freshness and quick preparation is a big benefit and appeals to today's busy consumer. The fresh uncooked tortilla/flatbread concept offers the consumer a product that is wholesome and delicious, contains little or no preservatives and allows the customer to bake the product fresh, to their individual taste, in seconds. The uncooked tortilla is also a very versatile product and provides many uses to the end consumer, thus another reason for its popularity and demand. Additionally, slight recipe adjustments to the first formulations will allow Franco Whole Foods to create variations of different uncooked, multigrain products allowing for penetration into many other international markets.

### A3.2 Summary of Market, Products and Competition:

The Tortilla Industry Association claimed in its "State of the Tortilla Industry Survey," that tortillas have become the second most popular bread type in the United States, (behind white bread), and the fastest growing category. In 2004, tortilla sales in the U.S. had reached \$6.1 billion with steady growth of approximately 4.0% per year. Tortillas sales growth trends have been attributable to (1) the increasing Hispanic populations within the US, (2) the increasing acceptance of tortillas as a mainstream staple instead of an ethnic bread type and (3) the recognition by consumers that tortillas are a healthy, delicious and flexible food staple.

There are currently over 12 billion packages of tortillas sold annually in the U.S. by approximately one thousand manufacturers in the U.S. Of these, only a handful of manufacturers make uncooked tortillas/flatbread. Because of Gus Franco's background as a pioneer in developing the uncooked tortilla concept and the first uncooked tortilla products, FWF.SD and FWF.SW are well positioned to capitalize on this growing market.

FWF.SD's current uncooked tortilla products are noted below. In addition to these existing products, FWF.SD continues to develop other similar uncooked products. In order to maintain freshness for all of Franco Whole Foods products, special *Modified Atmospheric Packaging* (MAP) are used on certain products requiring extended shelf life. It is expected that the West Amador Facility will produce, or will be capable of producing, each of FWF.SD's existing and "new" product offerings. Our initial product list consists of:

#### **Current:**

- ***Uncooked Flour Tortillas/Flatbread.*** This is a versatile product. It can be used to make crepes, pot pies, burritos, quesadillas, cinnamon crisps, cookies, noodles, etc. Slight adjustments to the original formulations will allow us to make a variety of uncooked flat breads for different culture markets.
- ***Uncooked Indian Roti.*** A multi-grained flatbread consumed primarily by the Indian culture.

#### **New products;**

- ***Uncooked Multi-Grain Tortilla***
- ***Uncooked Organic***
- ***Uncooked Corn Tortillas***



### A3.3 Tax Reporting Status:

Both FWF.SD and FWF.SW are organized as limited liability companies. FWF.SD is organized under the laws of the State of California and FWF.SW under the laws of the State of New Mexico. It is planned that both entities will sell on a wholesale basis to FWF.SD's existing customer base of retail food service, club and retail market chains.

### A3.4 Effect on Existing Industry and Commerce during and after the Construction:

Under A2 above, it was noted that the build-out of the FWF.SW West Amador Facility has been divided into three Phases. Phase I and Phase II are targeted to be completed by the end of 2014. The completion of Phases I and II totaling \$1,416K, (\$1,023K and \$393K respectively), will result in the West Amador Facility infrastructure being completely built out and with 2 installed uncooked tortilla lines in place and operational by the end of 2014.

Phase III, then consists of the installation of the remaining capacity of 10 to 13 uncooked tortilla lines during the 1<sup>st</sup> half of 2015.

Phase I, has a budget of \$1,023K and Phase II has a budget of \$393K, (not including the internal FWF.SW management staff and oversight). The spending of these capital funds totaling \$1,416K during 2014 will substantially involve local Las Cruces and New Mexico vendors. Additionally, Phase III, which is the

installation during 2015 of the remaining 10 to 13 uncooked tortilla lines, will also involve substantial funds and local vendors (at a budgeted cost of \$2,162K).

In addition, it should be noted that as part of this overall project, FWF.SW will need to acquire or set up a machine/maintenance shop in the Las Cruces area to house their maintenance and repair operations. FWF.SW management is also considering using this shop to build and fabricate much of the uncooked tortilla line equipment that is scheduled to be purchased in 2015. This would further increase the economic impact of this overall project to the Las Cruces area.

**Schedules A2.2 and A2.2.1** provide a detailed list of the planned Phase I and II capital costs totaling \$1,416K and the planned Phase III capital costs totaling \$2,162K.

At the completion of Phases I and II by the end of 2014, it is expected that the West Amador Facility, with 2 completed and operating uncooked tortilla production lines, will require a total employee count of approximately 23 employees (for one eight hour shift per day ). Based on FWF.SD's experience with the existing San Diego Facility, it is forecast that the first of the three planned West Amador Facility clean rooms (with five uncooked tortilla lines) will require a staffing and yearly payroll as follows (payroll numbers do not include any payroll burden):

	Employees	Yearly Payroll
1 Clean Room with 5 lines (at 1 shift/day)	42	\$1,056K
1 Clean Room with 5 lines (at 2 shifts/day)	79	\$1,909K

With the West Amador Facility having 3 Clean Rooms and from 13 to 15 lines, the expected employee count and yearly payroll (at full capacity of 2 shifts/day) can generate employment and payroll levels of close to 3 times the (2 shifts/day) numbers noted above of 79 employees and \$1,909K.

For the second and third clean rooms (assuming five uncooked tortilla lines each), the incremental employee count and payroll would increase by approximately 90% each. The expected increase would not be 100% for each clean room because some of the staffing represents fixed "total facility" positions and not variable positions associated with each tortilla line. **Schedule A3.4.1** provides a listing of each employee position, wage scale and estimated yearly payroll.

### **A3.5 Water Conservation**

The West Amador Facility's water use requirements will consist of (1) City water subject to filtration and used as an ingredient in the tortilla recipes and (2) City water required for the daily equipment cleaning and employee personal use. The

West Amador Facility will adopt and implement best practices water conservation practices.

### **A3.6 Construction Schedule**

After entering into the lease/purchase agreement covering the West Amador Facility, Williams Design Group of Las Cruces was engaged to work with FWF.SD and FWF.SW to prepare the site layout and design plans. That work has largely been completed and the site designs have now been submitted by Tim Curry Construction (the selected General Contractor) to the various required engineering groups as follows to work up the engineering specs:

SLI Engineering, "Civil"

James Tester, PE, "Electrical"

Terracon Engineering, "Geotechnical"

Once the engineering requirements have been verified and spec'd out, the work will be submitted for bids. It is expected that the engineering work will be completed within the next three weeks, at which time the work will be submitted for bid, with construction beginning by October 1, 2014. The general contractor, architect and the majority of the engineering firms are local Las Cruces companies and professionals.

## **B Financial Information**

### **B1: Projected Financial Results:**

FWF.SW is optimistic about the economic and financial opportunities arising from FWF.SW's decision to establish the West Amador Facility. Once the facility is completed, and as each of the 12 to 15 uncooked tortilla lines are installed and operational, ***the expected approximate revenues from each line is \$875K and \$1,750K per year at 1 shift/day and 2 shifts/day respectively*** (at present product pricing). The "up to" 15 uncooked tortilla lines available to FWF.SW at the West Amador Facility will provide much needed capacity to deliver uncooked tortilla products to meet FWF.SW's and FWF.SD's growing customer demand.

### **B2: Financial Statement for FWF.SD for the last 3 Years**

As a private company and with no FWF.SD creditors requiring audited financial statements, FWF.SD has available only unaudited financials. Attached as **Schedule B2.1** are financial statements for FWF.SD as follows:

FWF.SD as of 12/31/2011 and for the 12 months ended 12/31/2011

FWF.SD as of 12/31/2012 and for the 12 months ended 12/31/2012

FWF.SD as of 12/31/2013 and for the 12 months ended 12/31/2013  
 FWF.SD as of 07/31/2014 and for the 7 months ended 12/31/2014

### **B3: Requested LEDA Funding**

By letter dated May 14, 2014, the New Mexico Economic Development Department of the State of New Mexico offered FWF.SD and FWF.SW, \$75,000 of available LEDA funding (**letter attached as Schedule B3.1**). The FWF.SW job creation criteria to support this funding is (1) a total of 50 jobs to be created at the West Amador Facility by the Company's third consecutive year of operation and (2) the maintaining of 50 jobs for two full consecutive years. If FWF.SW meets these two conditions at any time during the first five years of operations, then any State claw backs against the \$75,000 LEDA funding are removed.

It is planned that FWF.SW will use the \$75,000 of LEDA funds for any appropriate and allowable expenditure under the statute to fund one or more of the Phase I or II project capital costs listed on the attached **Schedule A2.2**.

### **B4: Project Funding Commitments**

As noted in A2, FWF.SW was created in 2014 by FWF.SD to build out and put in place FWF.SD's second uncooked tortilla facility. The source of the funding of the project capital costs is from FWF.SD and FWF.SD's existing Investor Group as follows:

Franco Whole Foods, LLC 1225 Exposition Way, Suite 110 San Diego, California 92154 Gus Franco and Mike Franco	53.467%
Redline 6 LLC Paul Goldean	15.511%
Agora Holdings, LLC W. Edward Cieszkiewicz	15.511%
GDC General, LLC Gary Castro	15.511%
	<b>100.00%</b>

Each of the above FWF.SW Investors have committed to fund their percentage share of the costs necessary to fund this project. The total capital costs

estimated to fund Phase I and II total \$1,416K (See **Schedules A2.2 and A2.2.1**). Including the expected LEDA funding of \$75K, this leaves the FWF.SW Investor Group with \$1,341K (\$1,416 less \$75K) of funding commitments for 2014. The planned 2015 funding of Phase III (installing the remaining 10 to 13 uncooked tortilla lines) is estimated to cost approximately \$2,162K and will be funded by a combination of: (a) internal FWF.SW and FWF.SD cash flow, (b) bank financing, and (c) additional equity contributions by the existing FWF.SW Investor Group.

### **B5 Planned Security/Collateralization of the LEDA \$75,000 Funding**

The \$75,000 LEDA funding will be secured by a \$75,000 Performance Bond.

## **C History and Background**

### **C1 Track Record with Projects of the Type**

During 2008, FWF.SD was formed to build out, construct and operate the San Diego Facility. This San Diego Facility is now successfully operating four uncooked tortilla lines at two shifts per day, and generating annualized revenues of \$6.5 - \$7.0 million. The knowledge and experience that FWF.SD and FWF.SW Managers and Investors gained from this initial project will be utilized to assure the successful completion and operation of the West Amador Facility.

### **C2 List of Managers and Investors**

**Attached as Schedule C2.1** is a list of FWF.SW's existing Managers and Investors. None of the Managers, FWF.SD or FWF.SW, have ever filed for bankruptcy. Additionally, both FWF.SD and FWF.SW are not in arrears on any existing debt. Included in **Schedule C2.2** are resumes for each Manger, Officer and Owner.

## **D Community Aspects**

### **D1 Project Infrastructure Needs**

The existing building and property subject to the Lease/Purchase Agreement entered into by FWF.SW was previously vacant and not in use for a number of years. We understand that its prior use was as a warehouse. Because of the

new planned use of the building, FWF.SW has been working with City of Las Cruces personnel and engineers, to assess the “new use” required (1) parking, (2) drainage/ponding, (3) utility availability at required volumes and (4) other similar infrastructure requirements.

Both the City and third parties which FWF.SW is working with, have been helpful in getting the West Amador Facility site to meet its “new use” requirements (a 15 line uncooked tortilla production facility). One open item is the final decision on the property’s drainage and ponding requirements. The City had recently upgraded the storm drains in the area and it has been proposed that the City waive the site’s “ponding requirements”. A variance has not been issued to date. FWF.SW has engaged both Terracon and SLI Engineering to conduct a study of the site plan, drainage, parking and the requirements for underground ponding, to further support FWF.SW’s variance request. The cost of underground ponding is currently estimated at \$125K. Failing the issuance of a variance, underground ponding is the only option, and the City has indicated that they may be prepared to contribute \$75K towards the site’s underground ponding costs. At this date, this issue remains open.

## E Job Creation

### E.1 Expected Payroll levels and Job Creation

FWF.SW is able to estimate its employee and payroll requirements based on the experience with the San Diego Facility. As noted in **A3.4 “Effect on Existing Industry and Commerce during and after the Construction”**, **Schedule A3.4.1** lists the employee count and yearly payroll to operate five uncooked tortilla lines. Additionally, the narrative under **A3.4** provides further information on the required employees and yearly wages as the West Amador Facility expands from the planned two uncooked tortilla lines as of the end of 2014 to the 12 to 15 line level by mid-2015, (at both a one shift/day rate and 2 shifts/day rates).

**Economic Impact of Franco Whole Foods - South West LLC in Las Cruces, NM**  
**Executive Summary**

December 2, 2014

**Prepared by:**

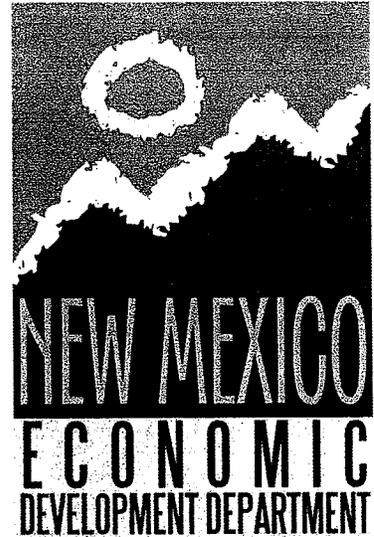
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**New Mexico Economic Development Department**

Joseph Montoya Building

1100 S. St. Francis Drive

Santa Fe, New Mexico 87505



*This summary was prepared by the New Mexico Economic Development Department using Total Impact by Impact DataSource.  
Please consult the full economic impact report for additional details and assumptions used in this analysis.*

Disclaimer: These calculations use estimates and assumptions; actuals may be different. Neither this document nor the information contained herein, prepared for the Economic Development Department by a contract service provider, binds the State of New Mexico.

## EXECUTIVE SUMMARY

### Introduction

This report presents the results of an economic impact analysis performed using Total Impact™, a model developed by Impact DataSource. The report estimates the economic and fiscal impact that a proposed project may have on the state and local taxing districts. The report estimates the additional costs and benefits for the state and specified local taxing districts over the first 10 years.

City	Las Cruces
County	Dona Ana County
School District	Las Cruces Public Schools
Special Taxing District	Special Taxing Districts

### Description of the Project

Franco Whole Foods, LLC "FWF" decided to locate and construct its second uncooked tortilla manufacturing facility in Las Cruces. A 40K sq. ft. facility at 845 West Amador has been leased for this purpose. FWF-Southwest was then established to hold and operate this 2nd plant. FWF-SW is in the process of investing \$1,023,135 to upgrade the existing building for this intended purpose, plus invest an additional estimated \$2,555,400 to acquire and install 12 to 15 uncooked tortilla manufacturing lines. This facility will have an estimated monthly production volume of 1,016,400 dozen packages, based on 15 production lines and 1 labor shift (and up to twice that rate, at 2 labor shifts per day).

### Summary of the Economic Impact of the Project

The project will have the following economic impact on the State of New Mexico over the first 10 years:

Economic Impact Over the First 10 Years	
<b>Economic Output:</b>	
Direct	\$158,117,283
Indirect & Induced	\$110,856,027
<b>Total Economic Output</b>	<b>\$268,973,310</b>
<b>Jobs:</b>	
Direct	160
Indirect & Induced	90
<b>Total Jobs</b>	<b>250</b>
<b>Workers' Earnings:</b>	
Direct	\$39,898,517
Indirect & Induced	\$35,070,797
<b>Total Workers' Earnings</b>	<b>\$74,969,314</b>
<b>Market value of property on tax rolls in Year 1</b>	
The Project's property	\$1,416,273
New residential property constructed	\$0
<b>Total market value of new property</b>	<b>\$1,416,273</b>
<b>Taxable Sales/Purchases</b>	
The Project activities	\$358,893,571
New direct and spin-off workers	\$18,742,328
Visitors	\$2,305,217
<b>Total taxable sales and purchases</b>	<b>\$379,941,116</b>

*The year-by-year economic impacts can be found in Appendix B.*

## EXECUTIVE SUMMARY

The project is not expected to result in a consequential increase in the state's population. A majority of newly hired employees would likely be current New Mexico residents. However, it is estimated that approximately 15% of the new workers may be new residents to Dona Ana County. The local population impacts may result in new residential properties constructed in the county and increase the enrollment of local public schools.

### Estimated Local Population Impacts Over the First 10 Years

	Direct	Indirect & Induced	Total
Number of direct and indirect workers who may move to the County	24.0	6.0	30.0
Number of new residents in the County	65.5	16.4	81.9
Number of new residential properties that may be built in the County	2.4	0.6	3.0
Number of new students expected to attend local school district	11.8	2.9	14.7

### Summary of the Fiscal Impact of the Project

The project will generate additional benefits and costs for the state and local taxing districts. A summary of the additional benefits, costs and net benefits is provided below. A discussion of the source of specific benefits and costs are provided in more detail for each taxing district on subsequent pages.

### Net Benefits Over the First 10 Years for Local Taxing Districts and the State

	Additional Benefits	Additional Costs*	Net Benefits	Present Value of Net Benefits**
State of New Mexico	\$23,133,047	(\$7,979,672)	\$15,153,375	\$11,164,832
Las Cruces	\$14,239,990	(\$589,040)	\$13,650,950	\$10,047,851
Dona Ana County	\$4,803,615	(\$52,579)	\$4,751,036	\$3,500,146
Las Cruces Public Schools	\$1,017,437	(\$390,540)	\$626,898	\$462,885
Special Taxing Districts	\$28,013	\$0	\$28,013	\$21,331
<b>Total</b>	<b>\$43,222,102</b>	<b>(\$9,011,830)</b>	<b>\$34,210,272</b>	<b>\$25,197,044</b>

The project may result in local and state population impacts. Therefore, some additional costs are estimated for the state and local taxing districts. Additional costs represent the additional cost to provide state, municipal, county, or school district services to new residents, businesses or new school students. The calculation of costs are estimated based on recent budget expenditure information and the projected change in residents, employees and school students in the community. The Methodology section has additional information on these fiscal impact calculations.

\* Additional costs were estimated for the state, city, county, and school district as the result of population changes and the provision of government services to new residents. The area population changes result from the portion of the new jobs being filled by workers moving to the area. A majority of the new jobs are expected to be filled by current New Mexico residents so the project is expected to have a small effect on additional costs on a statewide basis.

\*\* The Present Value of Net Benefits is a way of expressing in today's dollars, dollars to be paid or received in the future. Today's dollar and a dollar to be received or paid at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

## EXECUTIVE SUMMARY

### Benefits for the State of New Mexico

The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the state. Appendix C contains the year-by-year calculations.

State of New Mexico: Additional Benefits and Costs Over the First 10 Years			
	Additional Benefits	Additional Costs	Net Benefits
Gross Receipts Taxes	\$14,817,704	\$0	\$14,817,704
Property Taxes - Commercial/Industrial - Real	\$10,503	\$0	\$10,503
Property Taxes - Commercial/Industrial - BPP	\$6,681	\$0	\$6,681
Property Taxes - New Residential	\$1,865	\$0	\$1,865
Personal Income Taxes	\$2,204,098	\$0	\$2,204,098
Corporate Income Taxes	\$1,466,842	\$0	\$1,466,842
Miscellaneous Taxes & User Fees	\$4,625,354	\$0	\$4,625,354
Cost of Providing State Services	\$0	(\$7,979,672)	(\$7,979,672)
<b>Total</b>	<b>\$23,133,047</b>	<b>(\$7,979,672)</b>	<b>\$15,153,375</b>

Gross receipts taxes are estimated on new taxable gross receipts resulting from the project. Property taxes are estimated on the firm's property and new residential property constructed. Personal income taxes are estimated based on an effective income tax rate and the earnings of new direct and indirect workers. Corporate income taxes on the direct activity is based on the net taxable income projected by the company. Corporate income taxes on the indirect activity is estimated on a per indirect worker basis and the observed statewide corporate income tax collections per worker. To the extent that the project will result in an increase in new households in the state, additional miscellaneous taxes and user fees have been estimated for the state. Additionally, the costs to provide state services to these new households were also estimated based on recent state expenditure data as detailed in the Appendix.

### Benefits and Costs for Las Cruces

The table below displays the estimated additional benefits, costs and net benefits to be received by the city over the first 10 years of the project.

Las Cruces: Additional Benefits and Costs Over the First 10 Years			
	Additional Benefits	Additional Costs	Net Benefits
Gross Receipts Taxes	\$13,524,472	\$0	\$13,524,472
Property Taxes - Commercial/Industrial - Real	\$54,988	\$0	\$54,988
Property Taxes - Commercial/Industrial - BPP	\$34,974	\$0	\$34,974
Property Taxes - New Residential	\$9,266	\$0	\$9,266
Utility Revenue	\$397,197	\$0	\$397,197
Utility Franchise Fees	\$44,675	\$0	\$44,675
Lodgers Tax	\$15,259	\$0	\$15,259
Building Permits and Fees	\$0	\$0	\$0
Miscellaneous Taxes & User Fees	\$159,159	\$0	\$159,159
Cost of Providing Municipal Services	\$0	(\$191,843)	(\$191,843)
Cost of Providing Utility Services	\$0	(\$397,197)	(\$397,197)
<b>Total</b>	<b>\$14,239,990</b>	<b>(\$589,040)</b>	<b>\$13,650,950</b>

## EXECUTIVE SUMMARY

### Benefits and Costs for Dona Ana County

The table below displays the estimated additional benefits, costs and net benefits to be received by the county over the first 10 years of the project.

<b>Dona Ana County: Additional Benefits and Costs Over the First 10 Years</b>			
	<b>Additional Benefits</b>	<b>Additional Costs</b>	<b>Net Benefits</b>
Gross Receipts Taxes	\$4,615,861	\$0	\$4,615,861
Property Taxes - Commercial/Industrial - Real	\$92,282	\$0	\$92,282
Property Taxes - Commercial/Industrial - BPP	\$58,695	\$0	\$58,695
Property Taxes - New Residential	\$12,619	\$0	\$12,619
Building Permits and Fees	\$0	\$0	\$0
Miscellaneous Taxes & User Fees	\$24,158	\$0	\$24,158
Cost of Providing County Services	\$0	(\$52,579)	(\$52,579)
<b>Total</b>	<b>\$4,803,615</b>	<b>(\$52,579)</b>	<b>\$4,751,036</b>

### Benefits and Costs for Las Cruces Public Schools

The table below displays the estimated additional benefits, costs and net benefits to be received by the school district over the first 10 years of the project.

<b>Las Cruces Public Schools: Additional Benefits and Costs Over the First 10 Years</b>			
	<b>Additional Benefits</b>	<b>Additional Costs</b>	<b>Net Benefits</b>
Property Taxes - Commercial/Industrial - Real	\$77,338	\$0	\$77,338
Property Taxes - Commercial/Industrial - BPP	\$49,190	\$0	\$49,190
Property Taxes - New Residential	\$37,824	\$0	\$37,824
Additional State Funding	\$853,085	\$0	\$853,085
Cost of Educating New Students	\$0	(\$390,540)	(\$390,540)
<b>Total</b>	<b>\$1,017,437</b>	<b>(\$390,540)</b>	<b>\$626,898</b>

### Benefits and Costs for Special Taxing Districts

The table below displays the estimated additional benefits, costs and net benefits to be received by other special taxing districts over the first 10 years of the project.

<b>Special Taxing Districts: Additional Benefits and Costs Over the First 10 Years</b>			
	<b>Additional Benefits</b>	<b>Additional Costs</b>	<b>Net Benefits</b>
Property Taxes - Commercial/Industrial - Real	\$15,446	\$0	\$15,446
Property Taxes - Commercial/Industrial - BPP	\$9,824	\$0	\$9,824
Property Taxes - New Residential	\$2,743	\$0	\$2,743
<b>Total</b>	<b>\$28,013</b>	<b>\$0</b>	<b>\$28,013</b>

**EXECUTIVE SUMMARY**

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**New Mexico Economic Development Department Notes**

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**City of Las Cruces Local Economic Development Plan Application**

**Company Name:** Franco Whole Foods, LLC, a California limited liability Company (FWF.SD)

Franco Whole Foods, LLC, a New Mexico limited liability Company (FWF.SW)

**Company Ownership:**

**Address:** West Amador Facility address is 845 West Amador, Las Cruces, NM. 88005, (until the Project construction is completed)

FWF.SW's mailing address is:

Franco Whole Foods – Southwest, LLC

PO Box 12547

El Paso, Texas 79913

**Contact:** Mike Franco

**Phone:** Telephone: 619-863-4571

Fax: 619-863-4574

**Email:**

**Qualifying Entity:** ✓ “an industry for the manufacturing, processing, or assembling of agricultural or manufactured products”

**Tax ID Number:** 36-4778067

**New Mexico Entity Number:** 4860284

**City Business Registration:** Pending

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**Project Name:** FWF.SW West Amador Facility

**Project Location:** 845 West Amador, Las Cruces, NM. 88005

**Requested LEDA Funding**

By letter dated December 22, 2014, to the City of Las Cruces, Franco Whole Foods – Southwest LLC requested \$75,000.00 in Local Economic Development funding. The FWF.SW job creation criteria to support this funding is (1) a total of 50 jobs to be created at the West Amador Facility by the Company's third consecutive year of operation and (2) the maintaining of 50 jobs for two full consecutive years. If FWF.SW meets these two conditions at any time during the first five years of operations, then any City of Las Cruces Clawbacks against the \$75,000 LEDA funding are removed.

It is planned that FWF.SW will use the \$75,000 of the City of Las Cruces LEDA funds to fund one or more of the appropriate and allowable Phase I or II project infrastructure improvements.

## Project Description:

### A1. Description of Proposed Development:

Franco Whole Foods, LLC (“FWF.SD”) is a California limited liability company, organized under the statutes of the State of California on July 17, 2008, with its single tortilla manufacturing facility and offices located at 1225 Exposition Way, San Diego, California 92154. FWF.SD was created to take advantage of over 50+ years of Franco family experience in the manufacturing, development and distribution of tortillas. Most significant, Gus Franco, founder and President of FWF.SD, is a pioneer in the development of **uncooked** tortillas.

FWF.SD’s focus, from its inception, has been the development of uncooked tortilla recipes and the production and sale of high-quality uncooked flour tortillas, as well as uncooked multigrain flatbreads. Presently, FWF.SD’s manufacturing facility in San Diego consists of a single “clean room” with four installed uncooked tortilla lines, (with each line producing uncooked tortillas at an hourly rate of 650 dozen per hour). The San Diego Facility has been approaching full capacity, with its four lines running two labor shifts per day (16 hours). ***This represents a monthly capacity per line of approximately 208,104 packages of 1 dozen uncooked tortillas.*** As a result, FWF.SD began planning the construction of a second uncooked tortilla facility.

### A2. Description of Scope of Work and Business Plan:

Below is a description of the full scope of the planned investment by FWF.SW to complete the uncooked tortilla plant. **One component of the project, (which we plan on using the \$75,000 LEDA award to fund), is the City of Las Cruces required infrastructure improvements at the 2.1 acre West Amador facility. These infrastructure improvements include fire sprinkler yard lines and riser; underground ponding; landscaping; concrete work required for the dumpster, ADA/ vehicle ramps, curbs, sidewalk, loading docks, etc; and asphalt paving of the parking lot.**

During the first quarter of 2014, FWF.SD decided to locate its second uncooked tortilla facility in Las Cruces, New Mexico and established Franco Whole Foods – Southwest, LLC. (“FWF.SW”) to construct and operate this second uncooked tortilla facility. Effective May 1, 2014, FWF.SW entered into a long term lease/purchase agreement covering an approximate 40,000 square foot facility (on 2.1 acres) and located at 845 West Amador, Las Cruces, New Mexico 88005 (the “West Amador Facility”). The West Amador Facility will require extensive improvements and upon completion will consist of three “clean” rooms, each with up to five uncooked tortilla lines. It is expected that this facility will provide in excess of three times the production capacity of the existing San Diego facility.

The necessary investment to build out the West Amador Facility will include first (1): all the necessary engineering, design, structural improvements, utility service and installation, air and water conditioning, clean room build-out, cold storage and all the

additional necessary improvements to accommodate the installation and operation of up to 12 to 15 uncooked tortilla production lines, then (2): the installation of each of the individual 12 to 15 uncooked tortilla lines (each requiring dough mixers, dough dividers, proofers, tortilla presses, cooling conveyers, packaging and sealing equipment).

The West Amador Facility investment is being funded by FWF.SD and the existing owners/investors of FWF.SD. The complete build out of the West Amador Facility is planned to take place in three phases. Phase I is the planned West Amador Facility improvements described in (1) above, of the previous paragraph, and Phase II are the costs to acquire and install two of the uncooked tortilla lines (again, as described in (2) above, of the previous paragraph). The completion of Phases I and II is targeted by the end of 2014. The final Phase III, will then be the costs to acquire and install the remaining (10 to 13) uncooked tortilla lines, which we expect will be completed during the first half of 2015. Total estimated 2014 capital costs for Phase I and II are \$1,023,000 and \$393,000 respectively. The Phase III capital costs, which are expected to be incurred during the first half of 2015, total \$2,162,000.

**Expected Payroll Levels and Job Creation**

Based on FWF.SD’s experience with the existing San Diego Facility, it is forecast that the first of the three planned West Amador Facility clean rooms (with five uncooked tortilla lines) will require a staffing and yearly payroll as follows (payroll numbers do not include any payroll burden):

	Employees	Yearly Payroll
1 Clean Room with 5 lines (at 1 shift/day)	42	\$1,056,000
1 Clean Room with 5 lines (at 2 shifts/day)	79	\$1,909,000

With the West Amador Facility having three clean rooms and from 13 to 15 lines, the expected employee count and yearly payroll (at full capacity of two shifts/day) can generate employment and payroll levels of close to three times the (two shifts/day) numbers noted above of 79 employees and \$1,909,000.

For the second and third clean rooms (assuming five uncooked tortilla lines each), the incremental employee count and payroll would increase by approximately 90% each. The expected increase would not be 100% for each clean room because some of the staffing represents fixed “total facility” positions and not variable positions associated with each tortilla line.

**Eligible Activity:**                   √       “manufacturing, processing, or assembling of agricultural or manufactured products”  
**Industrial Cluster:**                   Manufacturing, food processing

**Las Cruces: Additional Benefits and Costs Over the First 10 Years**

<b>Additional Benefits</b>		<b>Additional Costs</b>	<b>Net Benefits</b>
Gross Receipts Taxes	\$13,524,472	\$0	\$13,524,472
Property Taxes - Commercial/Industrial - Real	\$54,988	\$0	\$54,988
Property Taxes - Commercial/Industrial - BPP	\$34,974	\$0	\$34,974
Property Taxes - New Residential	\$9,266	\$0	\$9,266
Utility Revenue	\$397,197	\$0	\$397,197
Utility Franchise Fees	\$44,675	\$0	\$44,675
Lodgers Tax	\$15,259	\$0	\$15,259
Building Permits and Fees	\$0	\$0	\$0
Miscellaneous Taxes & User Fees	\$159,159	\$0	\$159,159
Cost of Providing Municipal Services	\$0	(\$191,843)	(\$191,843)
Cost of Providing Utility Services	\$0	(\$397,197)	(\$397,197)
<b>Total</b>	<b>\$14,239,990</b>	<b>(\$589,040)</b>	<b>\$13,650,950</b>

**Request for Incentive**

attached