Utilizing the **Local Economic Development Act (LEDA)** for Planning & Community Revitalization

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New Mexico’s Local Economic Development Act (LEDA)

Adopted by the Legislature in the 1990s as a response to the Anti-Donation Clause of the state Constitution

Intention is to enable public investments in local economic development projects
Both state (through EDD) and local governments may make LEDA investments. The process requires a project application with documentation of job creation. A governing body appoints an agency to review LEDA projects. Projects must conform to an economic development plan.
Community Capacity

What is it and why is it important?

Community Capacity, Planning and Economic Development
The source of public money used to fund economic development projects comes from up to 5% of the annual General Fund (GF) expenditures of the local government in that fiscal year.

Additional revenue beyond the 5% GF account can be generated through the imposition of the Local Options Gross Receipts Tax (LOGRT) specifically designed for economic development projects.

Local government revenues dedicated for funding economic development projects are deposited into a separate account. Separate accounts for each individual project are also established.
What is LOGRT?
Local Option Gross Receipts Tax

After a community has passed the Local Economic Development Act (LEDA), the local government can bring to ballot a measure to raise the municipal local options gross receipts tax (LOGRT) by 1/8th of 1%. The additional revenue is used specifically for economic development projects.
How does LOGRT work?

- There are four increments that comprise the Municipal Infrastructure Gross Receipts (MIGR) section of Local Option Gross Receipts Taxes, each accounting for 1/16% of Gross Receipts.

- Many communities have already imposed the first two increments of the MIGR for various funds.

- The LEDA LOGRT allows communities the option of designating two of the four increments of the MIGR for economic development plans, payment of bonds, and infrastructure improvement. This is where the 1/8% comes from.
LEDAs Process

Community passes a LEDA ordinance based on state statute

Local government adopts an economic development plan

Municipality may have one or more ED plans

LEDA review agency usually an economic development agency (EDO)
“What is a qualifying entity?”

Must be one or more of the following:

- A corporation, limited liability corporation (LLC), partnership, joint venture syndicate, association, or other person
- Warehouses, distribution centers
- Service supply centers
- Telecommunications call centers
- an Indian Nation
- Farmers Markets

An industry for manufacturing, processing, or assembly of agricultural or manufactured products

A business that is the developer of a metro redevelopment project

A cultural facility (2007 amendment)

a retail business
LEDA Qualified Uses

- Purchase, lease, grant, construction, improvement or conveyance of land, buildings or other infrastructure;
- Public works improvements
- Payments for professional services contracts
- Direct loans or grants for land, buildings or infrastructure
- Technical assistance to cultural facilities
- Loan guarantees
Artesia - utilizes “metro redevelopment” qualifying entity to do economic development planning - Theater District, new Artesia Hotel, “white elephants”
Early Successes - LOGRT and LEDA

Activist Mayor and City staff uses local LEDA program to “clean up” blighted properties

Tradition of “can do” capacity and development

Yam Theater funds include EDA grant, private donations and city funds
2007 Amendments to LEDA

- NM Arts and Cultural Districts Act also amended LEDA and Historic Preservation tax credit statutes
- 2007 LEDA amendments intended to support “creative economy”
- “Cultural facilities” is description and definition of “qualifying entity”
- Local municipalities have broad powers of interpretation with local funds
- Non-profits are eligible but LEDA untested
ACDs and LEDA

Local LEDA ordinance must be amended to include community investments in “cultural facilities”

Community economic development plans must be amended to include cultural economic development strategies and priority projects

Private and non-profit developers of cultural facilities may be considered
“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 the arts and culture of a particular locale, including theaters, museums, libraries, galleries, cultural compounds, educational organizations, performing arts venues and organizations, studios and media laboratories, and live-work housing facilities.
Funding LEDA projects

- Determine “qualifying entity”
- Assess community support for project
- Prepare project application - request samples from city and state
- Demonstrate economic and public benefits
- Balanced budget should include diverse investors and cash flows
- Pledge security equal to LEDA investment

Castañeda Hotel, Las Vegas
Community purchased theater in 2006

State NMMS Capital Outlay funds support renovation

State LEDA program supports digital upgrade of projection and sound system, seating

City of Lovington uses local LEDA Funds to Purchase LEA Theater in May 2014
Historic Theaters Initiative
Silver City

Community Initiated development project by Silver City Main Street and Town of Silver City

Rehabilitate historic theater as a first-run movie house

State capital outlay funds, NMFA public facilities loan, private donations, possible state LEDA grant
Retail allowed as new “qualifying entity” in 2013 Legislature in communities less than 10,000 pop.

“Clawback” provisions now required by state law
Thanks!

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