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

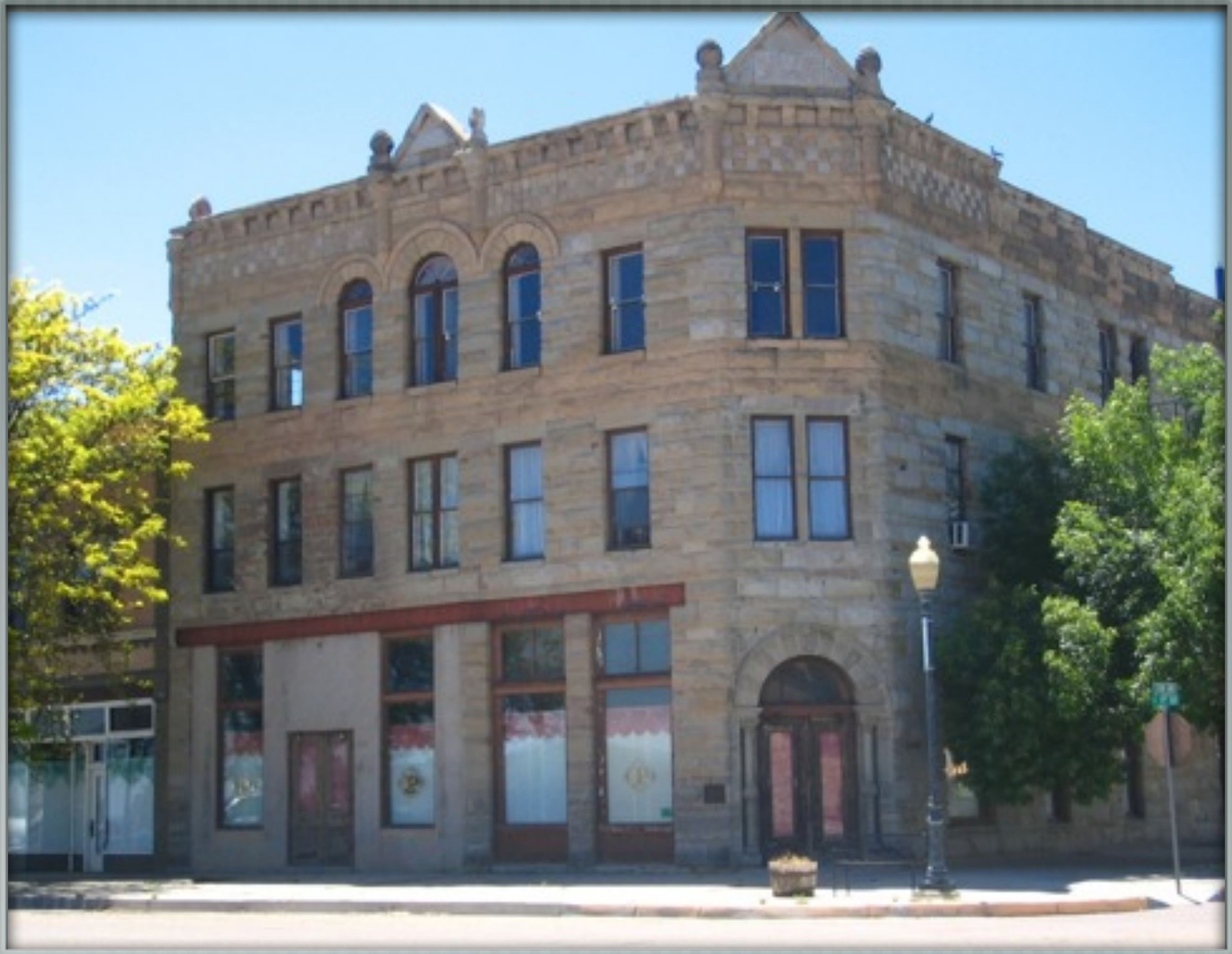
Elmo Baca, Program Associate
New Mexico Main Street Program
December, 2014

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

LEDA Overview

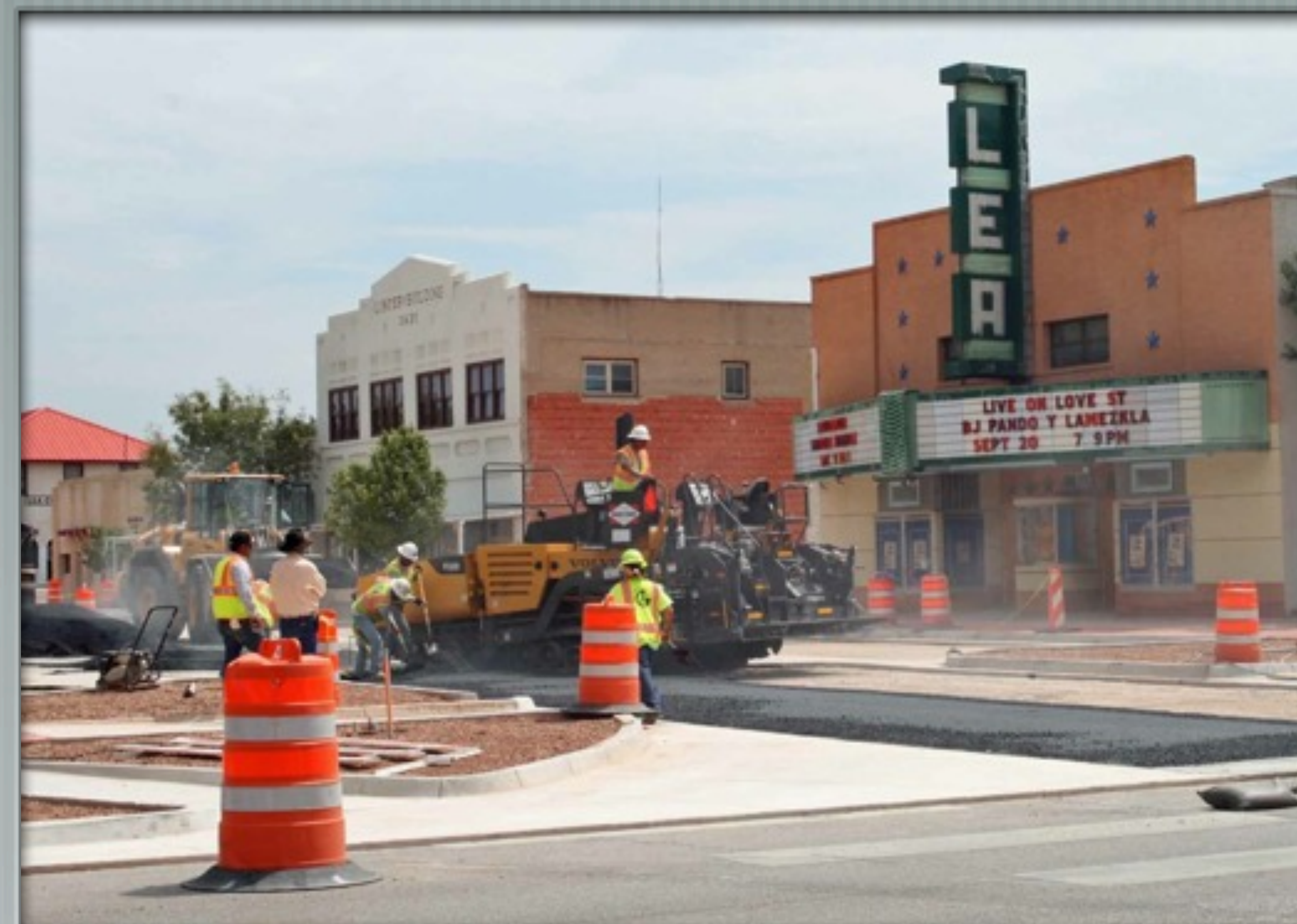
- Both state (through EDD) and local governments may make LEDA investments
- Process requires a project application with documentation of job creation
- Governing body appoints an agency to review LEDA projects
- Projects must conform to an economic development plan



Palace Hotel, Raton

Community Capacity

- What is it and why is it important?
- Community Capacity, Planning and Economic Development



Funds

- 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

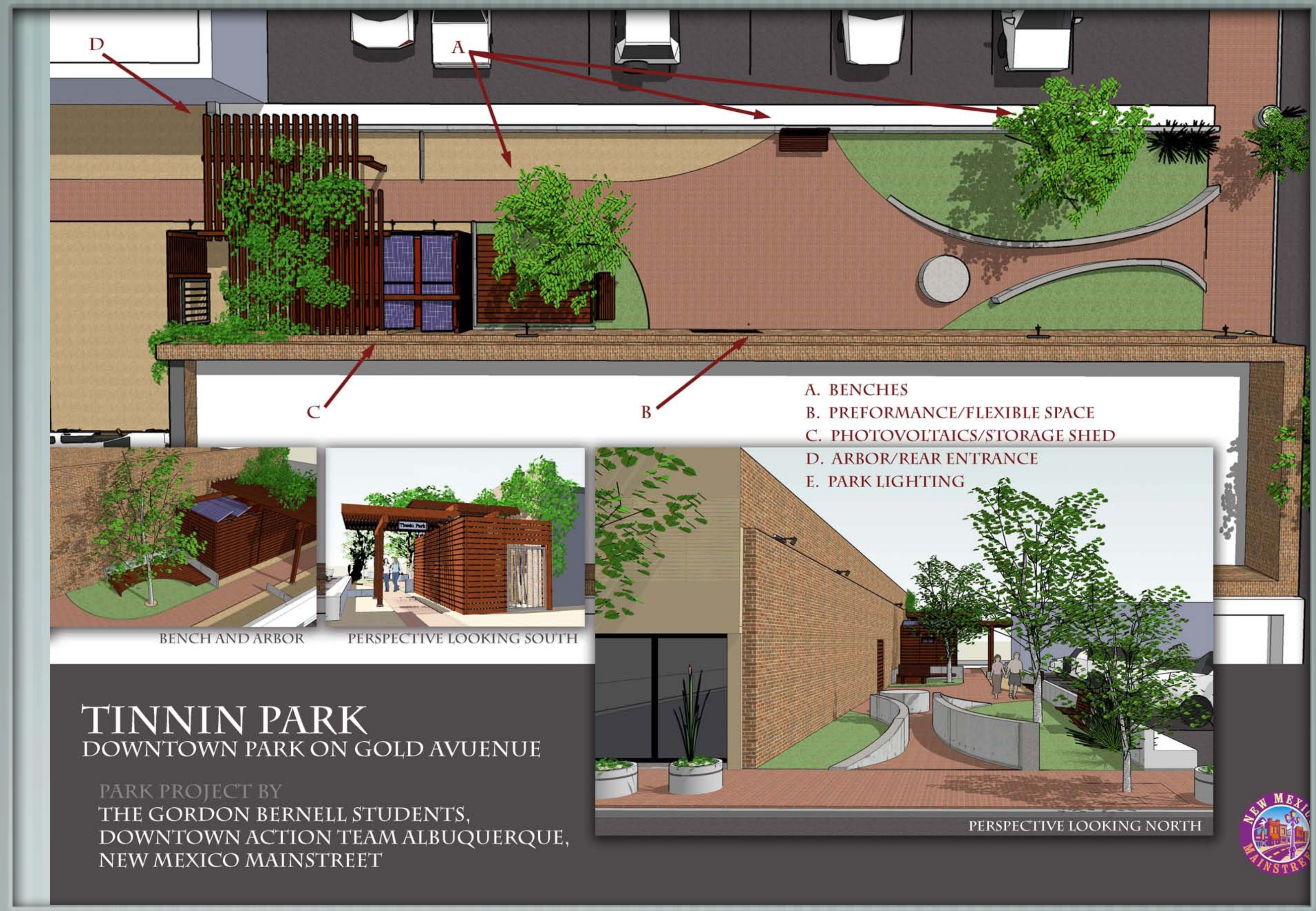
- After a community has passed the Local Economic Development Act (LEDA), the local government can bring to ballot a measure to raise the municipal local options gross receipts tax (LOGRT) by 1/8th of 1%. The additional revenue is used specifically for economic development projects.

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.

LEDA 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)



LEDA Nitty-Gritty
"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 <u>and one of the following:</u>
- 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

Early Successes - LOGRT & LEDA

Artesia

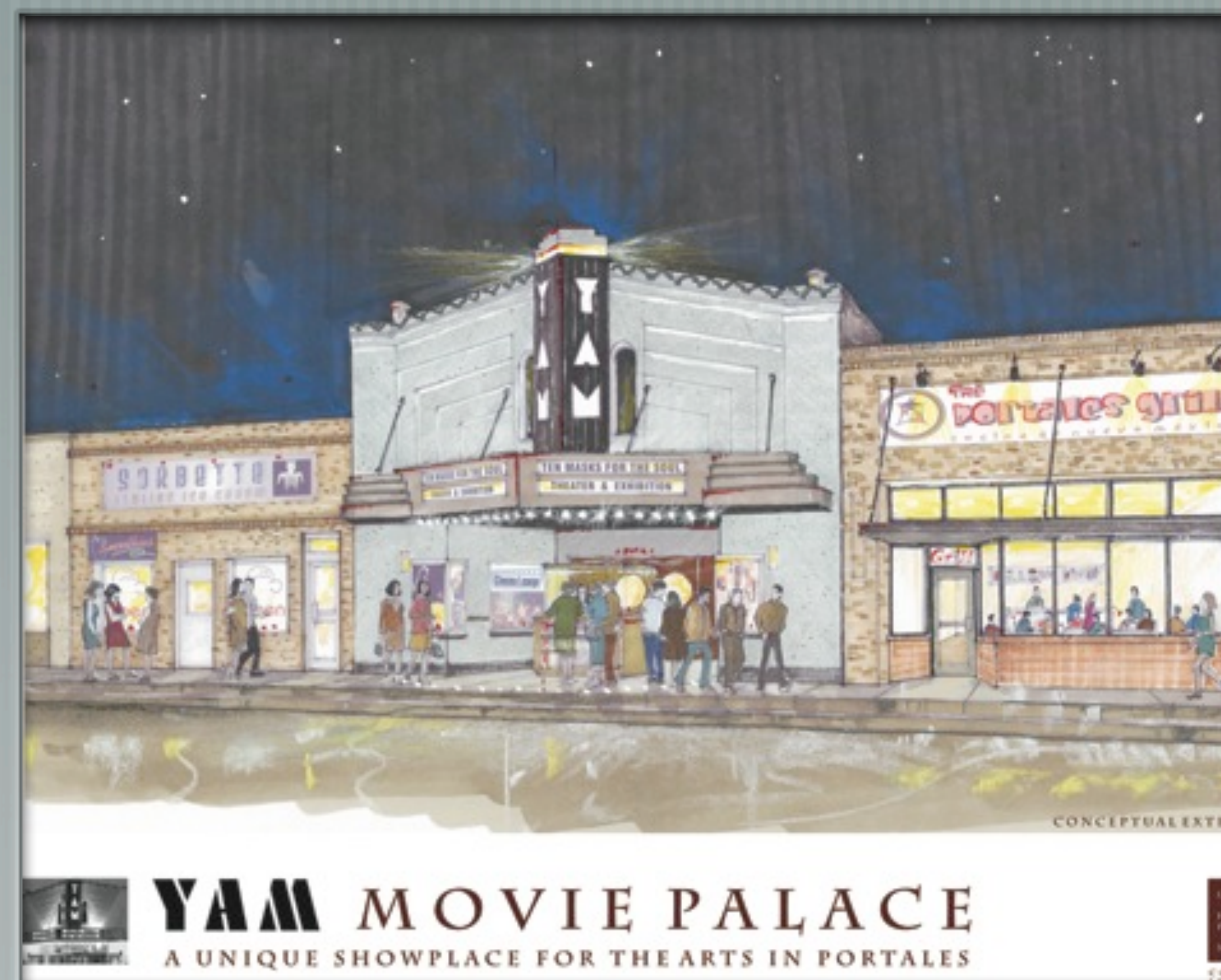
- Artesia - utilizes “metro redevelopment” qualifying entity to do economic development planning - Theater District, new Artesia Hotel, “white elephants”

Ocotillo Theater, Artesia

Early Successes - LOGRT and LEDA

Portales

- 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

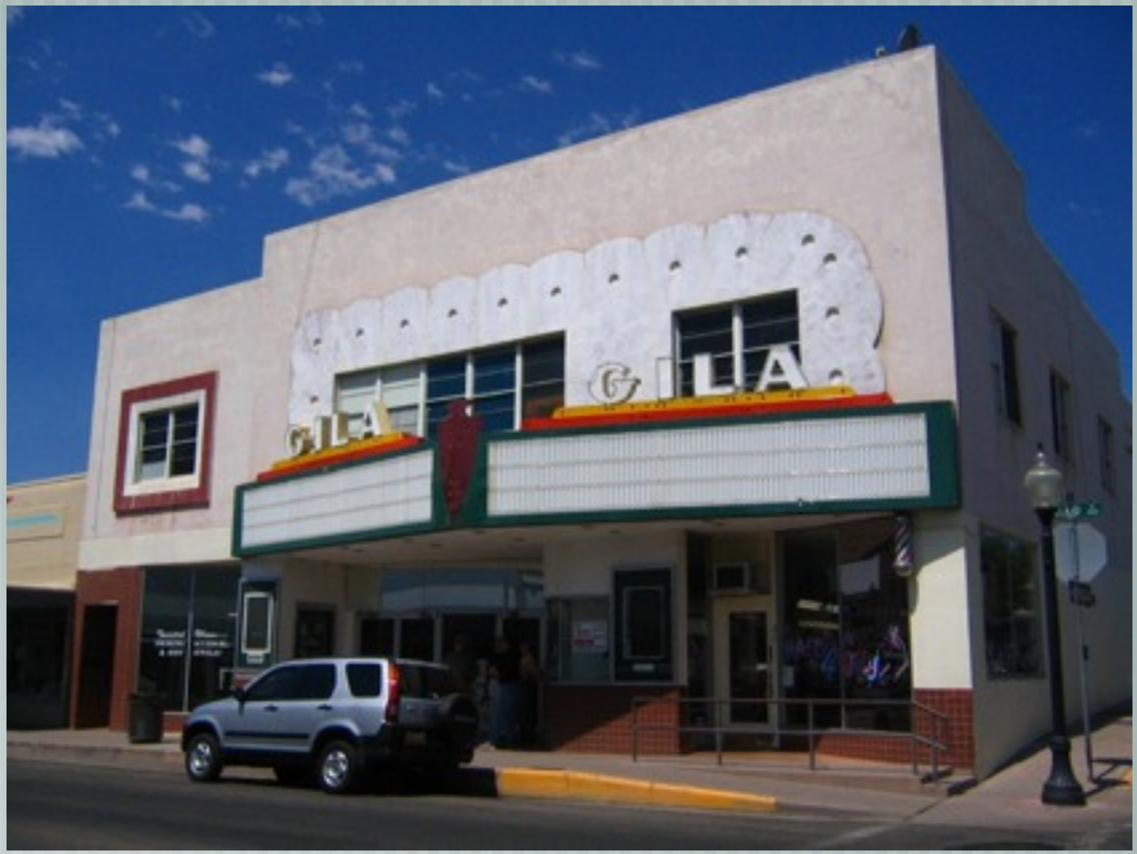


2007 Amendments to LEDA

- 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



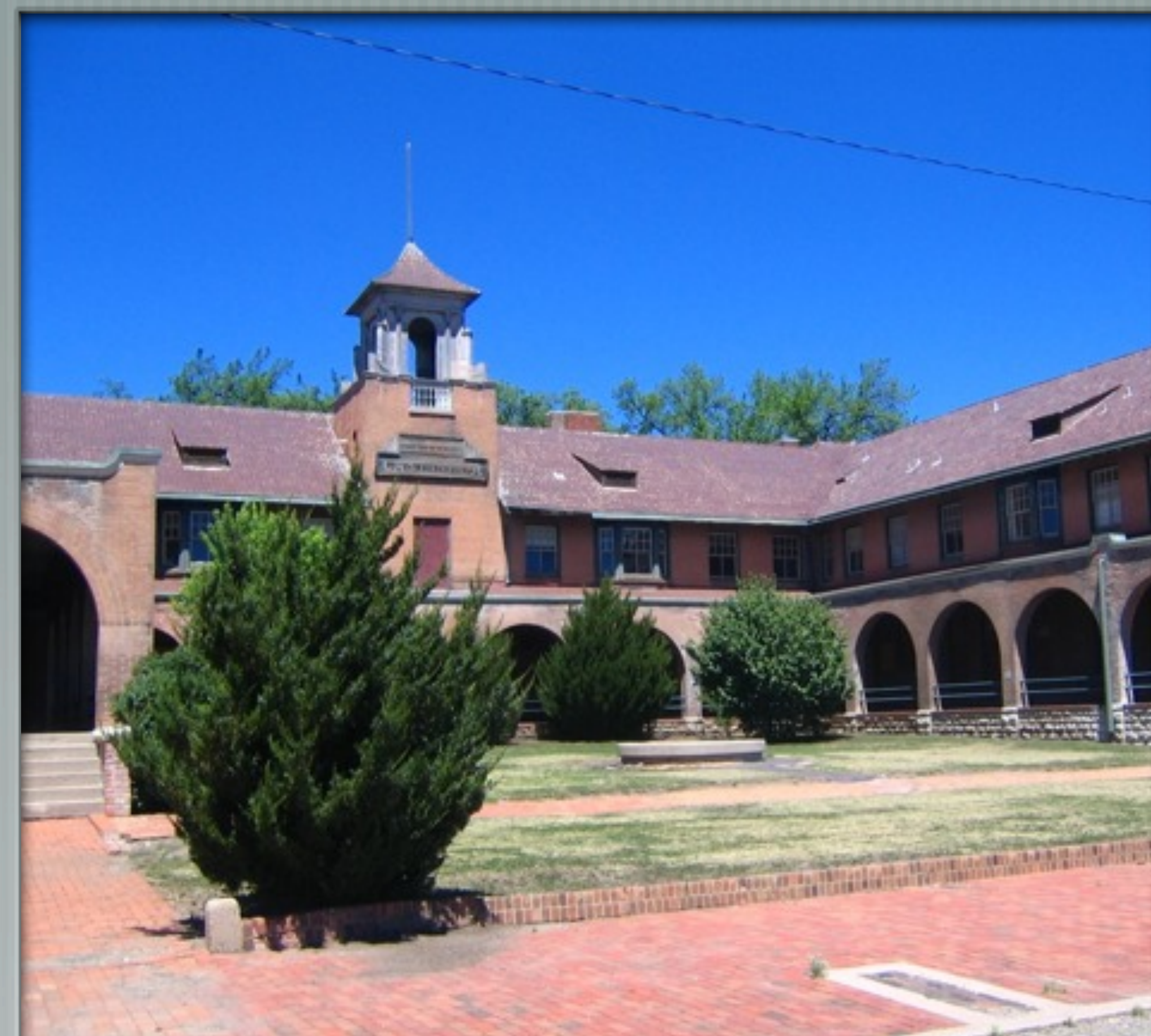
Gila Theater, Silver City

Cultural Facilities Defined

"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.

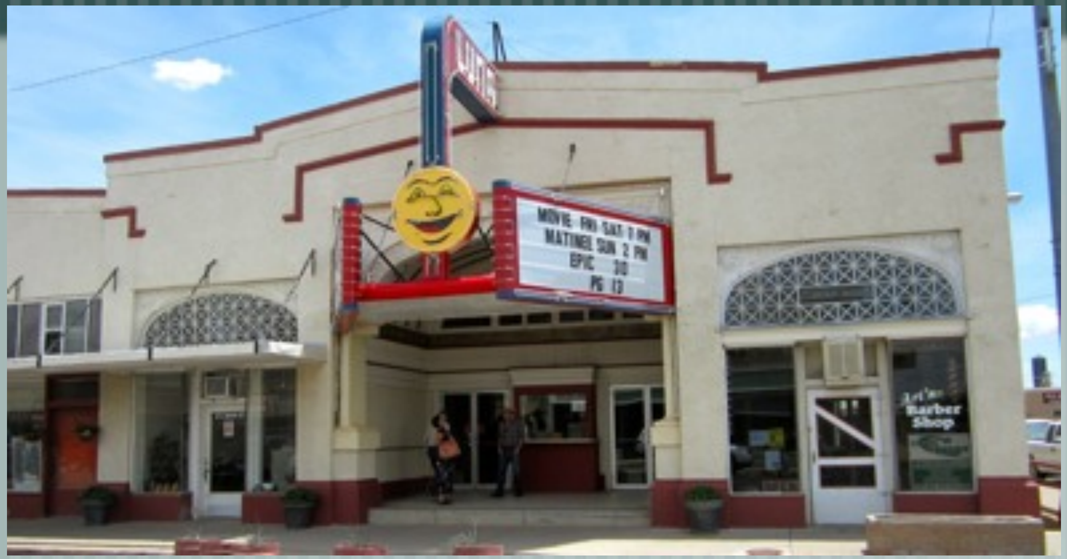
Funding LEDA projects

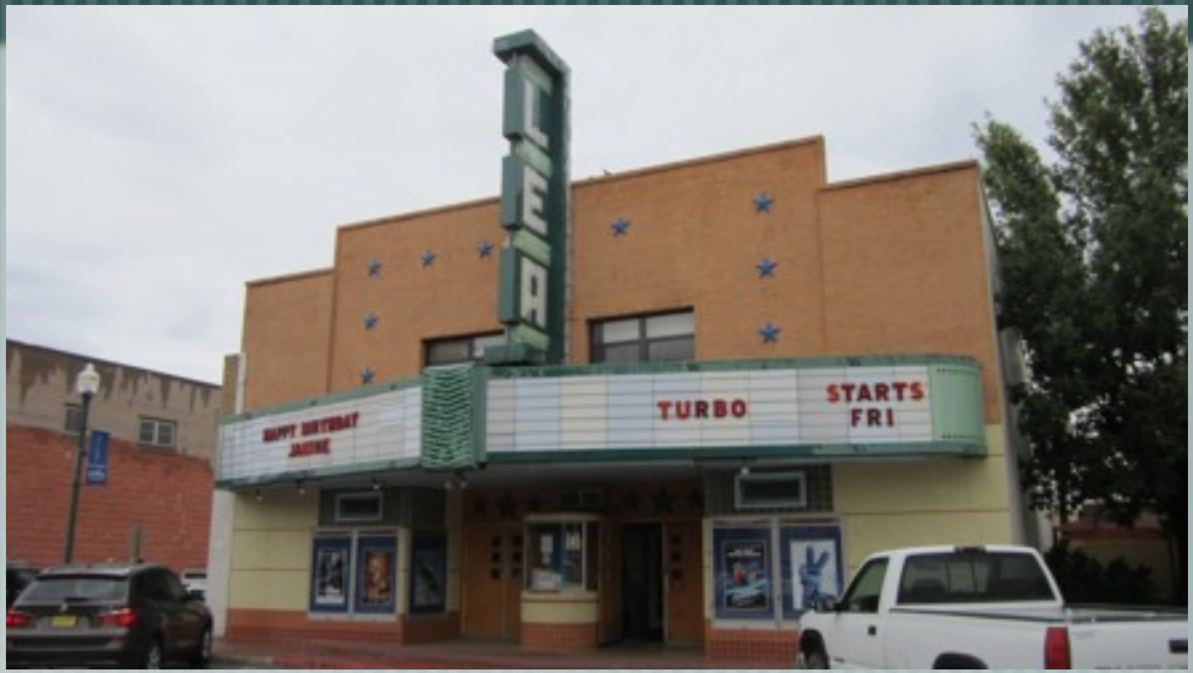
- Determine “qualifying entity”
- Assess community support for project
- Prepare project application - request samples from city and state
- Demonstrate economic and public benefits
- Balanced budget should include diverse investors and cash flows
- Pledge security equal to LEDA investment



Castañeda Hotel, Las Vegas

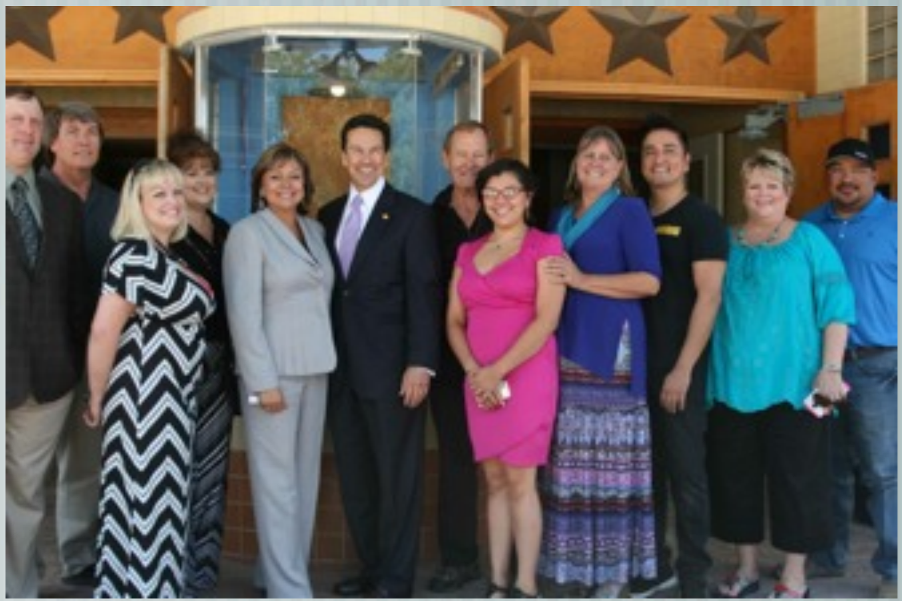
NM Historic Theaters Initiative
Clayton & Lovington





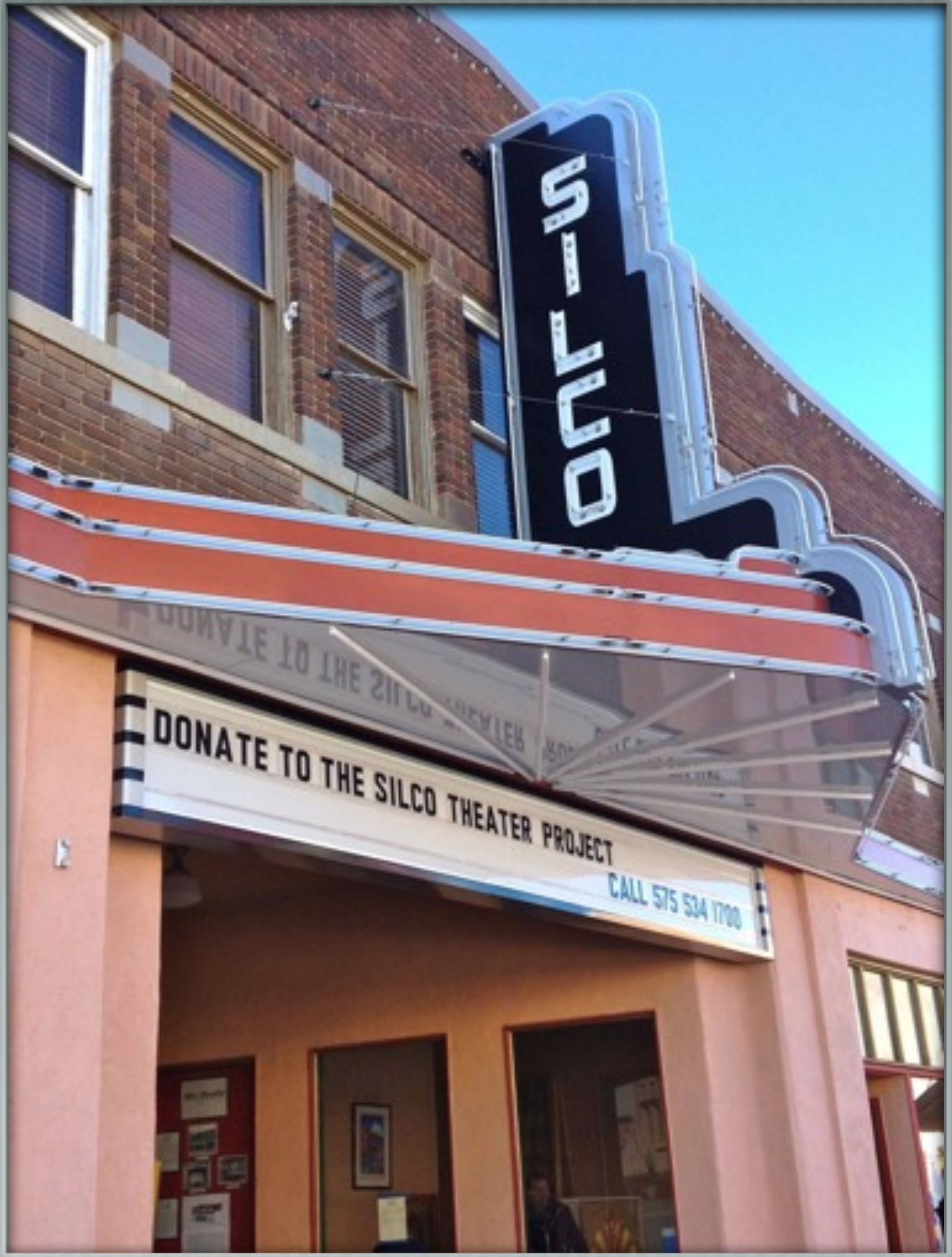
- Community purchased theater in 2006
- State NMMS Capital Outlay funds support renovation
- State LEDA program supports digital upgrade of projection and sound system, seating

City of Lovington uses local LEDA Funds to Purchase LEA Theater in May 2014



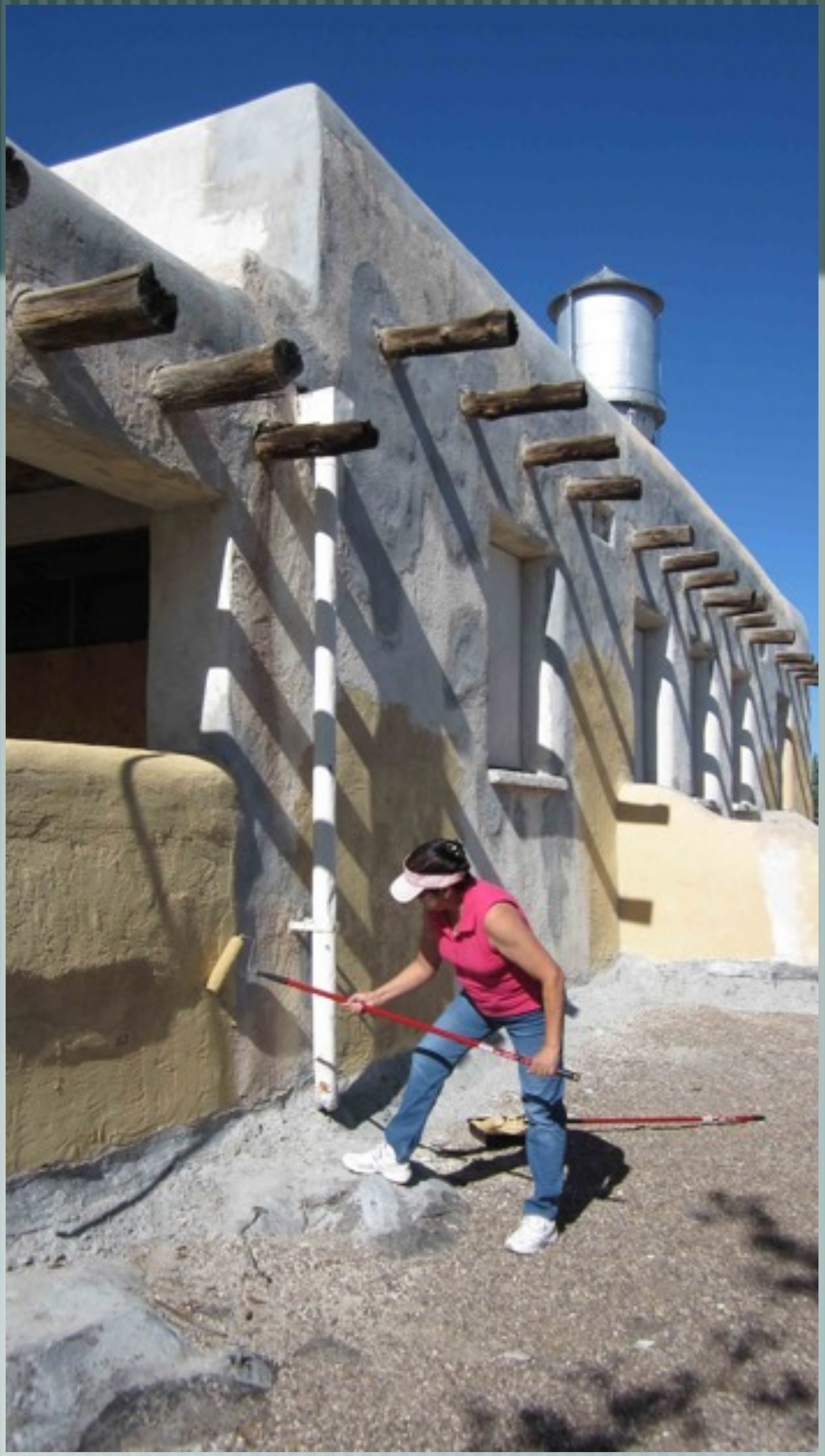
Historic Theaters Initiative
Silver City

- 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



LEDA News......

- **Retail** allowed as new "qualifying entity" in 2013 Legislature in communities less than 10,000 pop.
- "Clawback" provisions now required by state law



Old City Hall, Belen

Thanks!

Elmo Baca
elmobaca@gmail.com
505-577-2415
@ http://nmmainstreet.org/pdfs/LEDAforACDS_ElmoBaca.pdf