

Journal North

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Santa Fe Fears A Stormy Economy

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Fears for Santa Fe's economy might go the way of many a summer thunderstorm: Clouds gather, thunder rumbles, but the storm dissipates and the sun reappears.

Then again, predicting the economy is just about as easy as pinpointing where those storms are going to drop their rain.

In the city's Finance Department, workers see some gathering clouds as they assess how Santa Fe is faring in a weakening national situation. "There is nothing to really set off alarms, but we're concerned," said Finance Director David Millican. Gross receipts tax collections in recent months are "not really good, not really bad, but weak," he said.

Since that tax is charged every time someone sells a product or a service, it's a good barometer of how strong the local economy is. For the fiscal year that ended June 30, Santa Fe saw a 6.5 percent increase in gross receipts taxes coming into city coffers, but that increase falls to 2.1 percent when you subtract a one-time adjustment sent out by the state.

While that still might sound good, Millican notes that receipts in April, June and July — because there's a two-month lag, they reflect economic activity in February, April and May — were down a little from 2007.

And there's one more caveat: The city of Santa Fe had an increase in its gross receipts tax rate that took place July 2007. So that 2.1 percent revenue increase may be due more to a tax hike than to any growth in economic activity, which could have been flat or declining in the last year.

Albuquerque has a way of tracking trends in economic activity by looking at an unchanging tax rate: the 1 percent gross receipts tax distribution from the state. At the end of the latest fiscal year, those collections were flat — a zero increase, said Anna Lamberson, Albuquerque's chief financial officer.

"We're holding our own, which I think is good news," she said. It's like a splash of cold water, though, when you compare it to the past three years, when underlying growth was in the 4-8 percent range. It was around November when Albuquerque's financial analysts determined a downturn was real, Lamberson said, adding that "we're watching them (current gross receipts tax distributions) like hawks."

In Albuquerque, a faltering construction industry was the biggest factor affecting revenues, she said.

Real estate limbo

In Santa Fe, housing construction has dropped off, but commercial building is still going strong, said Simon Brackley, president and chief executive officer of the Santa Fe Chamber of Commerce. Gross receipts revenues in June and July (reflecting activity in April and May) showed increases related to construction in Santa Fe, while the retail and real estate sectors showed declines.

"There's a lot of concern, actually," said Brackley. "Particularly in real estate we've got a lot of people holding their breath."

New Mexico Voices for Children recently publicized some economic statistics that spell bad news for working people. The growth rate of jobs in New Mexico flattened in June, the first time that's happened since 2001, according to statistics the group cited from the U.S. Bureau of Labor Statistics. Unemployment in June bumped up to 3.9 percent from 3.8 percent in May, while the growth in personal income was 0.8 percent for the first quarter of the year, compared to 2.3 percent growth the same period a year ago, according to Voices for Children.

"New Mexico's labor market is usually cushioned from the national business cycle, but this time, the national downturn is showing up in the state's economy more quickly than usual," said Gerry Bradley, the group's research director.

Tourism downturn

In Santa Fe, the hospitality industry is a major engine driving the economy. "If you look closely at hotel stays, the year has been flat so far, at best," he said. "I've heard some hotels still have space available for Indian Market — they're usually sold out by this time of year."

The Rocky Mountain Lodging Report, with figures from the New Mexico Lodging Association Inc., shows hotel occupancy rates in Santa Fe this year through June at 60.4 percent, a bit higher than the 58.8 percent for the same period last year. That compares to 64.9 percent in Albuquerque, which saw a slight increase from 63 percent last year.

International visitors may be what's keeping Santa Fe's tourism industry going, according to Keith Toler, executive director of the Santa Fe Convention and Visitors Bureau. "I can't really measure it, except for the fact I heard a lot more foreign languages spoken out on the streets," he said.

Abroad appeal

With a weakening dollar, vacations in the United States look like a bargain to foreign visitors.

His bureau recently asked the city for an extra \$400,000 to advertise the city. "With the downturn in the economy and the increased cost of travel, many people are considering 'staycations,' where they spend their leisure time at

home or close to home," according to the bureau's written proposal.

"Additionally, with fewer people traveling, the marketplace is becoming much more competitive for travel dollars."

When it comes to local retailers, Vicki Pozzebon said, there's a mixed bag of reports. As executive director of the Santa Fe Alliance, which represents independent, locally-owned businesses, she said she hears different things from different members.

"Some retailers I'm hearing are having their best year ever," she said. "Especially those in hardware and renewable energy — those are booming. Folks are renovating and remodeling instead of building now."

The restaurant industry, she said, is "not great, but they're not complaining that it's tragically slow. The Farmers Market has been doing really well on Saturdays." Bicycle and scooter shops, she said, can't keep up with the demand.

Less rosy reports come from businesses such as higher-end boutiques, which rely on extra disposable income. "People are not spending money on discretionary things like that," Pozzebon said.