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# Tax Increment Development Districts

New Mexico Voices for Children

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# Concerns About TIDDs

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- ✓ Appropriate use of taxpayer dollars
- ✓ Risk to funding for statewide programs and capital outlay
- ✓ Equity in using state taxes to finance local economic development projects
- ✓ Other concerns about land use planning, environmental impacts, oversight over public money, etc., have led to broad-based community efforts

# Concerned Groups

- AFSCME
- American Federation of Teachers
- Amigos Bravos
- Bicycle Coalition of New Mexico
- Coalition for Clean Affordable Energy
- Conservation Voters New Mexico
- Environment New Mexico
- 1,000 Friends of New Mexico
- Greater Albuquerque Housing Partnership
- Lutheran Advocacy Ministry
- Natural Resources Defense Council
- New Mexico Catholic Conference of Bishops
- New Mexico Conference of Churches
- New Mexico League of Women Voters
- New Mexico Public Interest Research Group (NMPIRG)
- New Mexico Republicans for Environmental Protection
- New Mexico Voices for Children
- Quality Growth Alliance of Doña Ana County
- SAGE Council
- Smart Growth America
- Southwest Energy Alliance
- Southwest Organizing Project (SWOP)

# Tax Increment Financing

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- ✓ Economic development tool
- ✓ Originally intended as an incentive to redevelop blighted areas
- ✓ Dedicates a portion of the increased property and/or gross receipts tax revenue generated within a specific area to pay for public infrastructure
- ✓ Assumption is that development will result in increased and/or new tax revenue

# Appropriate Uses of Taxpayer Dollars

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- ✓ Offsetting risk
  - ✓ Stimulate redevelopment in “disinvested” areas
  - ✓ Reinvestment in existing infrastructure
- ✓ Subsidizing low-risk development
  - ✓ Development of undeveloped (“greenfield”) areas
  - ✓ Development on fringes of large metro areas

# Tax Increment Financing

Used for urban revitalization

- Risk is high
- Current tax revenue is low
- Infrastructure is in need of repair or replacement



# Tax Increment Financing

Difference = the 'increment'



Financing = up to 75% of increment

# Tax Increment Financing

## New development in “greenfield” areas

- Risk is low
- Current tax revenue is low
- Infrastructure is sparse or non-existent



Risk

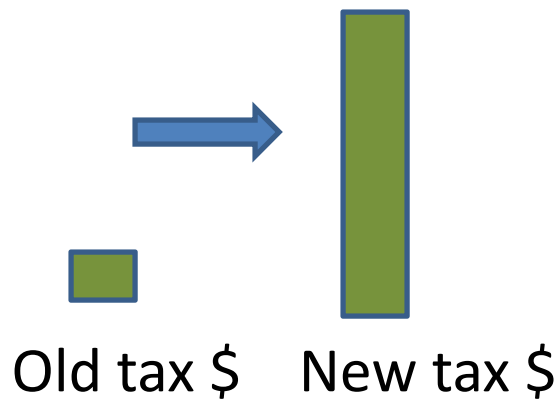


Tax \$



# Tax Increment Financing

Difference = the 'increment'



Financing = up to 75% of increment

# Appropriate Uses of Taxpayer Dollars

## TIDD Funds pay for Infrastructure Normally Funded by the Developer

Internal Roads

Bordering Roads

Access Roads

Curbs, Gutters, Sidewalks

Drainage, Flood Control

Trails

Parks

Public Landscaping



# Tax Increment Financing

- ✓ Used in 49 states and Washington, D.C.
  - ✓ Arizona is only state without TIF
- ✓ Began in California in 1952
- ✓ However, New Mexico is one of very few states that allows use of state gross receipts and property taxes in local TIFs

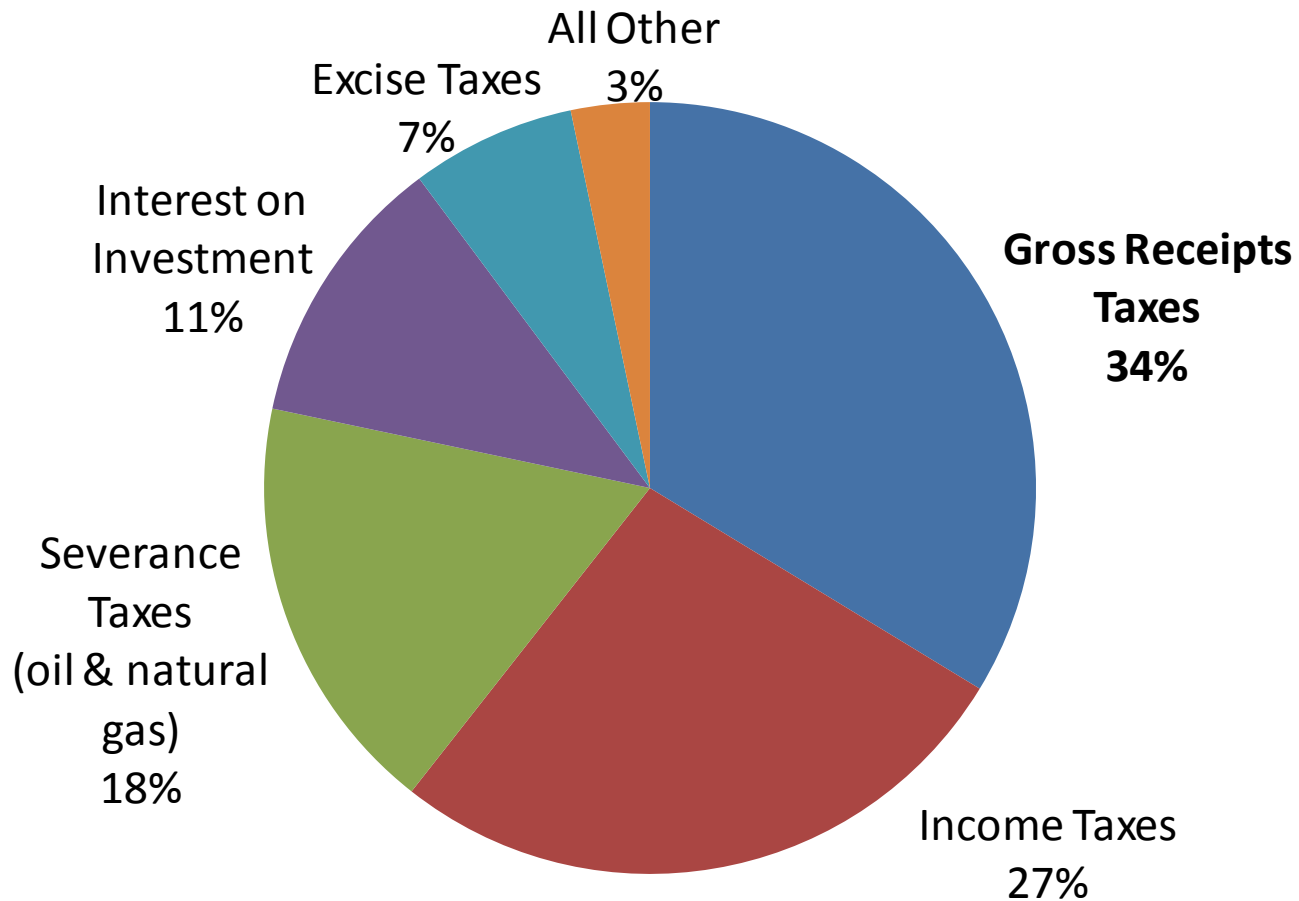
# Unprecedented Use of State General Fund

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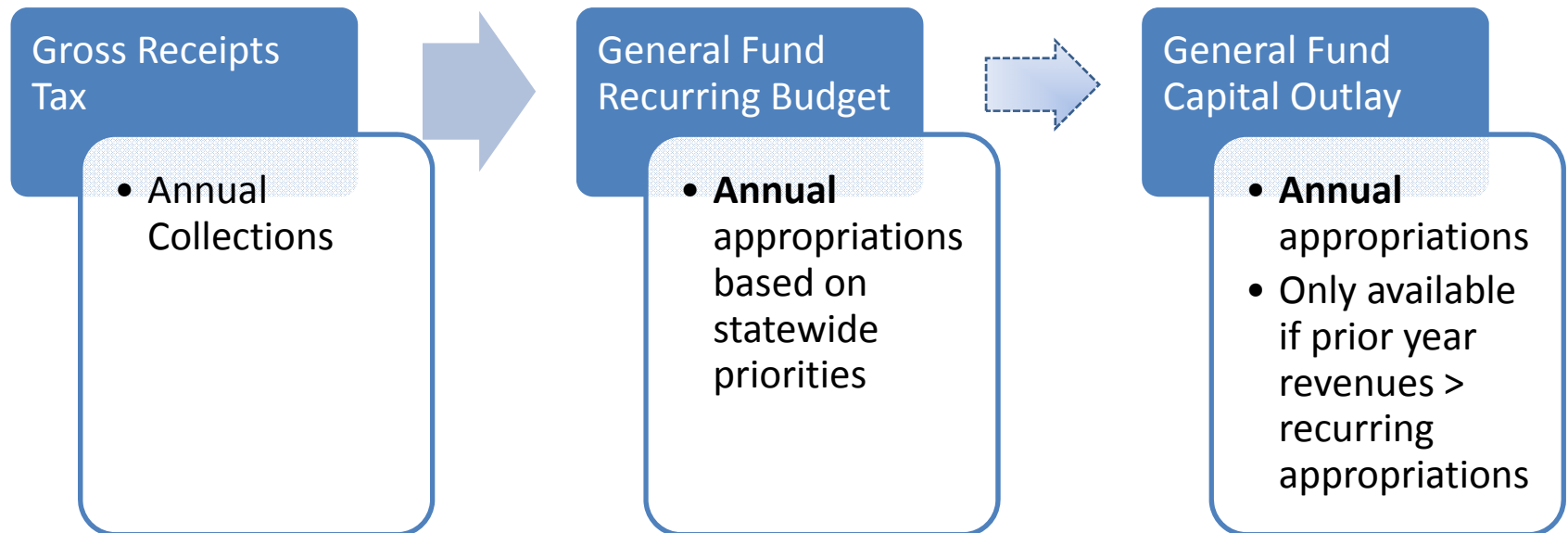
- ✓ Prior to TIDDs, development in one area of state would benefit whole state
- ✓ Now up to 75% of the new GRT will benefit only specific developments
- ✓ Creates a recurring capital outlay appropriation to local developments for up to 25 years

# Where the State Gets Its Funding

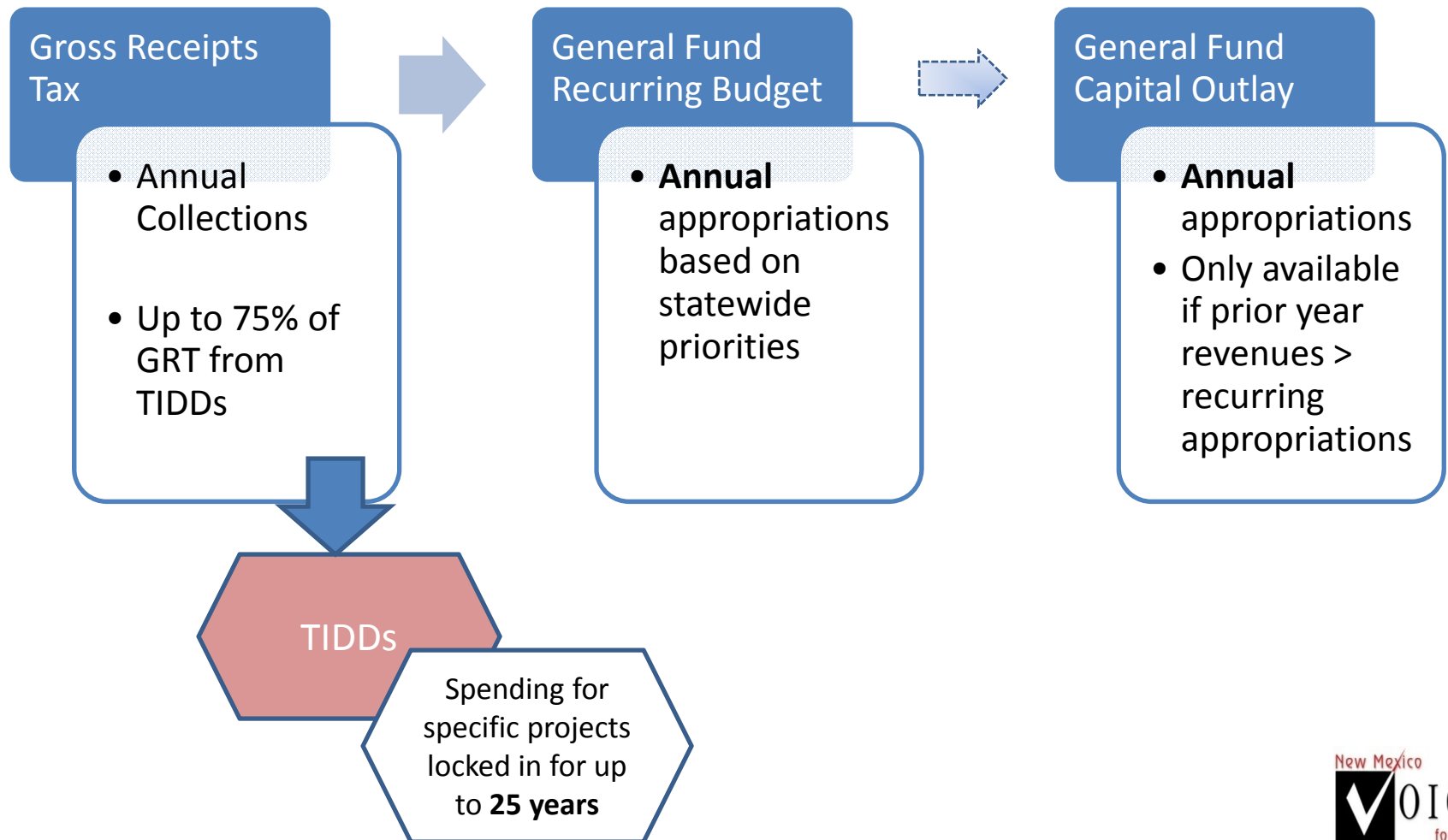
Fiscal Year 2009



# General Fund Flows Before TIDD



# General Fund Flows After TIDD



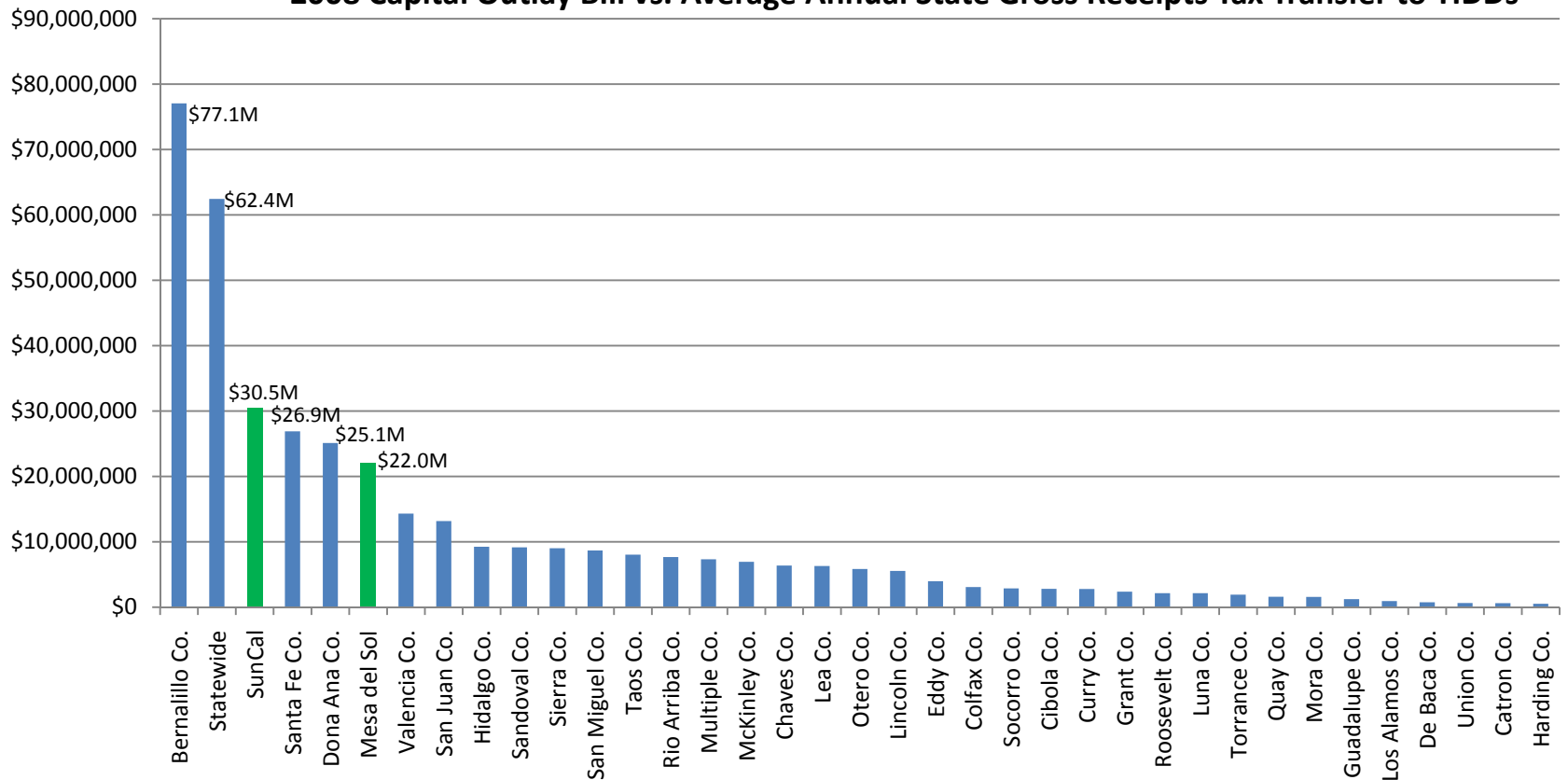
# Pays for Itself?

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- ✓ No “but for” test – no requirement that TIDD proposal prove that development would not happen without the use of taxpayer funds
- ✓ Revenue projections often assume all economic activity is entirely new to New Mexico
- ✓ Relocating of existing businesses and homeowners from elsewhere in the state to the TIDD is a real possibility

# Equity Concerns

## Annual Capital Outlay Appropriations Comparison 2008 Capital Outlay Bill vs. Average Annual State Gross Receipts Tax Transfer to TIDDs



Sources: HB 1088/SB839 FIR, March 2007; SunCal presentation to NMFA, January 28, 2008; LCS 2008 Capital Outlay spreadsheet

# Equity Concerns

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- ✓ Use of other economic development incentives in TIDDs
  - ✓ Tax incentives
  - ✓ Job Training Incentive Programs
  - ✓ Industrial Revenue Bonds
  - ✓ Capital Outlay
- ✓ Potential for concentration of economic development efforts in specific areas of the state

# Other Concerns

- ✓ Oversight and control of state funds
  - ✓ No state agency responsible for ongoing TIDD oversight
  - ✓ State not on TIDD Board
  - ✓ Election of Board
- ✓ Risk that TIDD revenues will not cover costs
  - ✓ State does not have a “no net expense” requirement
  - ✓ Bond defaults if TIDD revenues not sufficient to cover payments
- ✓ No statutory performance requirements
  - ✓ Expected actions rather than specific requirements
  - ✓ No penalties or clawbacks

# Proposed Solutions

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- ✓ Don't allow TIDDs in undeveloped/greenfield areas
- ✓ Reduce the amount of state taxes
- ✓ Directly link the state tax increments received to the public policy goals in the TIDD statute
- ✓ Require a “but for” test in TIDD approvals
- ✓ Increase state oversight
- ✓ Include performance requirements and penalties
- ✓ Enforce current land-use planning