



Press Release

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Nonprofits applaud Board of Finance's adoption of new TIDD rules Rules protect public interest and provide ongoing oversight

Santa Fe, NM – The state Board of Finance adopted new rules for submitting and evaluating future Tax Increment Development Districts (TIDDs) proposals last week. The new rules give the Board more oversight and will help to ensure that developers spend the tax money they receive in a way that benefits the public. A loose coalition of nonprofits that has raised concerns over the state's TIDD statute, gave the new rules a fairly positive thumbs-up.

"These rules are important because TIDDs change the development equation by investing significant state funds into a few developments in the state," said Carter Bundy, New Mexico Legislative Director for AFSCME. "The current uncertainty in the financial markets highlights the risks of having an implicit government guarantee behind private-sector activity."

Tax Increment Financing (TIF) is an economic development tool that generally uses local taxes as an incentive for redevelopment in urban areas that have fallen on hard times. New Mexico's TIF statute is unusual because it allows a tax increment development district (TIDD) to receive up to 75 percent of the incremental increase in *state* gross receipts tax revenue resulting from either redevelopment of existing areas or new development in undeveloped (greenfield) areas. This dedicated revenue stream can last for up to 25 years.

Many have expressed concern at TIDDs inclusion of fringe areas in the state, where development is already thriving without tax subsidies. "Incentivizing these kinds of massive sprawl development patterns with hundreds of millions of state taxpayer dollars is a real risk to New Mexico's long-term health and environment," said Sandy Buffett, Executive Director of Conservation Voters New Mexico. The new Board of Finance rules will allow the board to consider the pros and cons of subsidizing sprawl development, and its effects such as increasing residents' dependency on automobiles and increasing vehicle emissions, versus incentivizing smart growth such as infill development.

In the short time since the state enacted legislation allowing the creation of Tax Increment Development Districts (TIDDs) in 2006, the Board of Finance has approved the use of more than \$1.1 billion in future state gross receipts taxes in two developments outside of Albuquerque -- Mesa del Sol and SunCal.

The Board of Finance rules would help ensure that the public policy goals of the TIDD statute – job creation, workforce housing, building of public school facilities, and sustainability – are met by the proposed TIDDs. The adopted guidelines and requirements will ensure more in-depth analysis of the economic impacts of TIDD proposals, take into consideration whether the proposal is for redevelopment versus 'greenfield' development, require greater developer disclosure and ensure ongoing state oversight of the TIDDs through reporting requirements.

The Board of Finance is the only state body with the authority to approve or deny state GRT-backed TIDDs. After the Board of Finance has approved a project, the New Mexico Legislature authorizes the corresponding bonds.

More than 24 organizations, including New Mexico Voices for Children, AFSCME, Conservation Voters New Mexico, the Quality Growth Alliance of Dona Ana County, Environment New Mexico, the American Federation of Teachers, the Southwest Organizing Project, 1000 Friends of New Mexico, and the League of Women Voters, had submitted comments urging the Board to ensure that state tax revenue diverted to TIDDs be spent with the public's best interest in mind.

"Our joint comments demonstrate state-wide, broad-based concern about Tax Increment Development Districts in New Mexico," said Anne Stauffer, policy analyst for New Mexico Voices for Children. "The Board of Finance's rules should help ensure that TIDDs are delivering on important public policy goals and not undermining funding for critical state-wide programs. However, the TIDD statute itself needs to be reformed to protect the long-term stability of the state's general fund and ensure that the goals of the TIDD Act are being met over the twenty-five year lifetime of TIDDs."

Among other things, the Board of Finance rules would require the Board to:

- Evaluate whether the project could occur in "substantially the same form" without a dedication of state GRT;
- Determine if the TIDD will have a positive revenue impact on the state General Fund over the life of the bonds;

- Ensure that the TIDD plan includes adequate "planning and resource allocation" for workforce housing and schools;
- Receive detailed information from those submitting the proposal, including an economic development plan, a market feasibility study, an economic analysis, net revenue analysis, a detailed timeline, audited financial statements from the project's developers, and an approved master development agreement;
- Ensure that the state GRT increment requested is "reasonable and fully justified";
- Determine if the developer has a proven record for success with similar developments and receive information about whether the developer has been subject to any administrative actions or litigation;
- Assess the impact on surrounding or non-participating government entities;
- Ensure applications include "environmentally protective technologies," energy and water efficiencies, and sustainable development elements; and
- Consider the availability of water and water rights.

The rules also required that approved TIDDs must:

- Receive Board approval for any substantive change to the TIDD plan upon which the state GRT dedication was based;
- Report annually on the infrastructure build-out, jobs created, availability of workhouse housing, provision of schools, revenues and expenses and total debt outstanding.

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