

**MINUTES  
of the  
FIFTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 13-14, 2015  
Gallup**

The fifth meeting of the Economic and Rural Development Committee (ERDC) was called to order by Senator Benny Shendo, Jr., chair, on October 13, 2015 at 9:33 a.m. at the El Morro Theatre in Gallup.

**Present**

Sen. Benny Shendo, Jr., Chair  
Rep. D. Wonda Johnson  
Rep. Rick Little  
Sen. Richard C. Martinez  
Sen. John Pinto  
Rep. Debbie A. Rodella (10/14)  
Sen. Pat Woods  
Rep. Bob Wooley (10/13)  
Rep. John L. Zimmerman

**Advisory Members**

Rep. Eliseo Lee Alcon  
Sen. Lee S. Cotter (10/13)  
Rep. Bealquin Bill Gomez  
Rep. Jimmie C. Hall  
Rep. Patricia A. Lundstrom

**Guest Legislators**

Rep. Randal S. Crowder  
Rep. Patricio Ruiloba

**Absent**

Rep. Dianne Miller Hamilton, Vice Chair  
Sen. Jacob R. Candelaria  
Sen. Ron Griggs  
Sen. Michael Padilla  
Rep. Patricia Roybal Caballero

Sen. Craig W. Brandt  
Rep. George Dodge, Jr.  
Rep. Nora Espinoza  
Sen. Carroll H. Leavell  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Dennis J. Roch  
Rep. Nick L. Salazar  
Sen. William E. Sharer

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Celia A. Ludi, Staff Attorney, LCS  
Erin Bond, Intern, LCS.

**Minutes Approval**

Because the committee did not consider adoption of these minutes at its November meeting and will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Tuesday, October 13****Call to Order — Introductions — Approval of Minutes**

Senator Shendo welcomed members of the committee, staff and guests to the meeting. Committee members and LCS staff members introduced themselves. Representative Lundstrom thanked the Northwest New Mexico Council of Governments (NNMCOG), the Gallup-McKinley County Chamber of Commerce, Western Refining, the New Mexico Trucking Association and the Gallup Business Improvement District for hosting the committee's meeting.

**Welcoming Remarks**

Jackie McKinney, mayor of the City of Gallup, welcomed the committee and noted that Gallup is surrounded by Native American land. He said that regionalization of the Gallup area is important to economic development in the area. The most significant sources of economic support in the region are the federal government and the oil and gas industry. When Mayor McKinney took office, he established a private nonprofit corporation, the Greater Gallup Economic Development Corporation (GGEDC), to handle the city's economic development work, which was previously the work of a single part-time employee. Mayor McKinney observed that the GGEDC's status as a private corporation allows the city to maintain economic development negotiations confidentially until they are finalized, something that is difficult for a public entity to achieve. He expects that the GGEDC will be instrumental in generating many good jobs in the region.

**Energy Logistics Park**

Representative Lundstrom explained that she is the executive director of the GGEDC, a 501(c)(3) organization started in March 2012. She introduced Tommy Haws, president, GGEDC, and Michael Sage, deputy director, GGEDC. Representative Lundstrom informed the

committee that the GGEDC has developed a five-page plan to create economic base jobs in the area by attracting new money to the region instead of recirculating money that is already in the community. An informative, interactive, comprehensive and current website has become a critical component of successful economic development. Representative Lundstrom explained the GGEDC's work and provided the committee with presentation materials. She emphasized that preparation of a successful economic development plan requires a thorough examination and awareness of a community and its assets. She added that one of Gallup's major assets is its existing transportation infrastructure. The city is located at the confluence of the BNSF Railway TransCon Corridor and Interstate 40.

Aaron Kowalski, business development manager for Gallup Land Partners (GLP), has worked with Representative Lundstrom, and he informed the committee that GLP has acquired 26,000 acres and dedicated 3,000 of those acres for the initial build-out of the Energy Logistics Park (ELP). GLP has also allocated another 10,000 acres for expansion of the park. He said that although it is a complicated project, there will be many benefits to the project. There are currently three tenants at the ELP. Representative Lundstrom explained that the site's master plan was developed with consideration of BNSF's needs regarding warehousing and distribution of commodities that are transported by rail. The GGEDC consulted with the developers of the Santa Teresa borderplex during the GLP planning process. Representative Lundstrom added that an important aspect of the plan is workforce development; the GGEDC has partnered with public schools and higher education institutions in the area to offer relevant training to ensure that the local workforce is prepared for the employment opportunities being created.

Mr. Sage provided a virtual tour of the GGEDC's website.

In response to a member's question, Mr. Kowalski confirmed that customers of GLP use roads and rails to move their products. A committee member commented that Santa Teresa is working on a BNSF spur to provide north-south access to the line and opined that the RailRunner should be extended from Ciudad Chihuahua, Mexico, to Calgary, Canada.

A committee member mentioned that Mexico is planning a deepwater port in the Gulf of California to relieve the port of Los Angeles and that the deepwater port will be connected to Santa Teresa.

In response to a member's question, Representative Lundstrom said that most of the planning work for the GLP project was paid for by the City of Gallup using New Mexico Finance Authority funds. The post-performance funding of the project was achieved using industrial revenue bonds, Local Economic Development Act funding and tax credits. She said that BNSF has purchased \$800,000 worth of diesel fuel per month in Gallup since the locomotive fuel tax credit was instituted. She explained that to receive the locomotive fuel tax credit, a company must make certain local investments and the Taxation and Revenue Department will certify whether the investments qualify the taxpayer for the tax credit, which must be used for economic development purposes.

Representative Lundstrom invited the committee to attend an economic development roundtable on January 29, 2016 at 8:30 a.m. at La Fonda Hotel in Santa Fe.

### **Navajo Inland Port Project**

David Lee, president of the Tsayatoh Chapter, Navajo Nation, and Jeff Kiely, executive director of the NNMCOG, described the Navajo inland port project to the committee. Peter Deswood, Jr., senior economic development specialist for the Navajo Nation Division of Economic Development, noted that Thoreau is the energy port. BNSF has told the Navajo Nation that 25,000 acres are needed for the inland port, which is slated to create 4,500 jobs. Unemployment in the Navajo Nation is approximately 60%, so the project is desperately needed. Brenda Jesus, community services coordinator of the Rock Springs Chapter of the Navajo Nation, informed the committee that three chapters will provide \$10,000 each in matching funds for development of the project. The developers are also applying for tribal infrastructure funds.

In response to a member's question, Mr. Kiely said that he is unaware of the Navajo-Gallup water pipeline's potential role in the development of the inland port project. Mr. Deswood said that the Thoreau project will require minimal water use and the project primarily consists of office buildings and light manufacturing operations that do not require a lot of water. He noted, however, that secondary and tertiary businesses providing housing and related support for the project's workforce will require a significant amount of water.

Representative Lundstrom informed the committee that the region's primary water source is the aquifers, which are being depleted faster than they are recharging, but that two pipeline projects will supply the region with additional water to provide a stable long-term source of water.

In response to a question, Mr. Kiely clarified that the inland port and the GLP projects are adjacent to each other. Representative Lundstrom confirmed that the projects are complementary, and she noted that GLP has representation on the tribe's steering committee. She emphasized the need to approach economic development projects regionally and not individually.

Mr. Deswood said that the tribe intends to request between \$3 million and \$4 million in capital outlay funds for the Thoreau project.

### **Rural Infrastructure Tax Credit**

Mr. Sage explained that the inland port will need 100,000 square feet of building space to attract business. He stressed that existing available buildings are an essential component to the development plan's success.

David Hinkle, president and chief executive officer of the Gallup-McKinley County Chamber of Commerce, explained the rural infrastructure tax credit (RITC) proposed in House Bill 337 (2015), which passed the House Transportation and Public Works Committee but

ultimately did not pass in the house of representatives. Mr. Hinkle affirmed the importance of having existing available commercial real estate for businesses looking to locate in an area, and he asserted that the RITC would help create an inventory of available buildings.

When a committee member noted that there is no guarantee of job creation to result from a business that uses the RITC, Mr. Hinkle responded that if businesses are required to guarantee job creation to implement the tax credit, the incentive would not be useful. He said the tax credit applies only to transportation, manufacturing and the oil and gas industry; other extractive industries are not eligible.

In response to a committee member's observation that the proposal is for a tax credit, not a rebate, and the only way to get the credit is if an eligible business owes taxes, Mr. Hinkle said that the primary value in the tax credit is not the credit's use by the taxpayer business, but in the taxpayer's ability to sell the credit to a third party. The state would recoup its money when a building is used to house a business, because property tax on the building would be paid.

A member asked if the tax credit would be available to projects outside rural areas, and Mr. Hinkle confirmed that it would be, but he said that the qualifying projects are limited to brick-and-mortar buildings.

### **Business Improvement Districts and Arts and Cultural Districts**

Francis Bee, executive director, Gallup Business Improvement District, explained how the business improvement districts interact with the arts and cultural districts and MainStreets to create communities where company employees want to live.

### **Minutes**

The minutes of the September 28-29, 2015 meeting were approved without objection.

### **NNMCOG's Comprehensive Economic Development Strategy and Panorama Software**

Mr. Kiely described "The High Plateau Country Blueprint, A Strategic Path for Growth and Prosperity in Northwest New Mexico" using his presentation materials titled, "Comprehensive Economic Development Strategy".

Tim Armer, executive director of the North Central New Mexico Economic Development District, referred to his materials, titled "Ristra Project", to explain the web portal designed for the New Mexico Association of Regional Councils (NewMARC) to assist local governments with navigating state and federal funding opportunities and with establishing steady project development, resulting in long-term asset management.

Mr. Kiely informed the committee that funding for the Ristra Project comes from several sources, and the NewMARC will be seeking a general fund appropriation through the Local Government Division of the Department of Finance and Administration to staff the ongoing development of the project. The primary source of long-term funding for the project will be

subscriptions paid for by agencies and councils of governments. The project is designed to have minimal bureaucracy supporting it because data would be added by each agency with oversight and maintenance by the appropriate council of government.

### **Recess**

The committee recessed at 5:17 p.m.

## **Wednesday, October 14**

### **Reconvene — Introductions**

Senator Shendo reconvened the committee meeting at 9:14 a.m. and welcomed members of the committee, staff and guests to the meeting.

### **Tourism in Indian Country**

Rebecca Latham, secretary of tourism, reported on the economic impact of tourism in New Mexico using her presentation materials titled, "Economic Impact of Tourism in New Mexico". She reminded the committee that the department's current target markets are Dallas, Houston, Phoenix, Chicago and Denver, and she presented examples of video media campaigns used in those markets.

In response to a member's question, Secretary Latham said that the only county that did not experience growth in tourism in 2014 was Los Alamos, and she attributed the lack of growth to the lingering effects of the Cerro Grande fire. She added that the counties with the greatest growth in lodging are those where the oil and gas industry is centered in the southeast and northwest parts of the state. She added that because of the disproportionate impact of those industries, the department had not included Lea and Eddy counties in the tourism lodging calculations for 2014.

A committee member suggested that the Tourism Department highlight rail-based tourism, pointing out that a tourist could ride Amtrak from Raton through Las Vegas to Lamy and on to Gallup. Secretary Latham said that the department had already approached Amtrak about joint promotions. She said that the department was recently added to the Spaceport Authority board and is starting to work with the Spaceport Authority.

Another member suggested adding Chihuahua and other cities in Mexico to the state's target markets. Another member said attention could be brought to the Vietnam Veterans Memorial State Park in Angel Fire as well as to White Sands National Monument and the Valles Caldera. Secretary Latham responded that she had designated an employee as a public lands liaison to work with federal and state parks. She commented that there are competing interests between tourism and the National Park Service (NPS) because the NPS's focus is on conservation.

Secretary Latham reported on state tourism in Indian Country and introduced Amanda Montoya, the Tourism Department's recently hired American Indian tourism specialist. Ms. Montoya described her plan to interface with and support the tourism efforts of tribes in New Mexico. She has begun meeting with and surveying the interests and needs of tribes with respect to tourism. She most frequently hears that tribes are in need of better signage and visitor guides to communicate with visitors about etiquette when on tribal lands.

Tom R. Kennedy, director of tourism and MainStreet for the Pueblo of Zuni, informed the committee that the pueblo became a MainStreet community three years ago and is the only Native American MainStreet in the country. He provided information about the Pueblo of Zuni's tourism outlook and challenges.

Arval T. McCabe, department manager of the Navajo Nation Tourism Department, reported on the activities of his department. Mr. McCabe said that tourism in the New Mexico part of the Navajo Nation has flatlined, while tourism on the Arizona side has grown. The department implemented its strategic plan last year, beginning with development of a master plan for tourism services at Chinle, Arizona. He said that the Veterans Highway is not safe and makes tourist travel difficult. The department launched a new website, [www.discovernavajo.com](http://www.discovernavajo.com), two years ago and is updating its visitor guide. Mr. McCabe observed that the councils of governments seem to be focused on drawing Native American money to cities like Farmington and Gallup and are not as focused on developing communities outside those areas.

In response to a member's question, Mr. Kennedy and Mr. McCabe agreed that neither of the communities they represent have experienced an increase in tourism in the past year.

The committee discussed the need and responsibility for maintaining and upgrading the scenic byways, which provide an easily identifiable way for tourists to get around New Mexico and see the things that New Mexico True advertises.

A member inquired about the status of a proposed Navajo code talker museum, and Mr. Deswood responded that the Navajo Nation appropriated money to start a fundraising campaign for the museum, but the project was stalled and is now being reinvigorated.

In response to a member's request for an update on the status of a hotel in Crownpoint, Mr. Largo said that a tenant, Choice Hotels, has been identified and a site leased. Financing is being arranged, and it is hoped that construction on a 67-room hotel with a 2,000-square-foot conference center will begin in the spring.

#### **Public Comment**

There was no public comment.

**Adjournment**

There being no further business before the committee, the fifth meeting of the ERDC for the 2015 interim adjourned at 11:54 a.m.