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## FISCAL IMPACT REPORT

ORIGINAL DATE 3/1/17

SPONSOR Romero/Ruiloba LAST UPDATED \_\_\_\_\_ HB 489

SHORT TITLE Excluding Greenfield Areas from TIDD Act SB \_\_\_\_\_

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					R or NR **	Fund Affected
FY17	FY18	FY19	FY20	FY21		
Indeterminate					R	General Fund
Indeterminate						Local Governments

Parenthesis ( ) indicate expenditure decreases. \*\* R = recurring; NR = non-recurring

See “FISCAL ISSUES” discussion of an important contingency

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY17	FY18	FY19	3 Year Total Cost	R or NR **	Fund Affected
<b>Total</b>	Indeterminate: decrease likely			<0		Board of Finance

Parenthesis ( ) indicate expenditure decreases. \*\* R = recurring; NR = non-recurring

### SOURCES OF INFORMATION

LFC Files

Responses Received From

### SUMMARY

#### Synopsis of Bill

House Bill 489 would repeal the provisions of the Tax Increment for Development Act (TIDD act) for projects in primarily undeveloped areas. These are known as “Greenfield” developments. The TIDD act would then apply only to redevelopment projects. The bill is drafted to prevent local governments from approving greenfield TIDDs funded locally as well as those that would seek Board of Finance approval for a state GRT increment.

The effective date of this bill is July 1, 2017. Projects that were approved by a sponsoring government and by the Board of Finance prior to the effective date would be grandfathered and could seek later approval of the TIDD bonds by the legislature. However, considering the time and effort required to prepare a TIDD application for a sponsoring city and county, as well as to

the State Board of Finance would, in effect, preclude any further greenfield TIDD approvals. See, however, a discussion at “OTHER SUBSTANTIVE ISSUES” below of the current status of the Santolina project proposed by Western Albuquerque Land Holdings, which is a greenfield project that could possibly qualify for an exclusion from this greenfield TIDD repeal.

### FISCAL IMPLICATIONS

This bill may support the LFC tax policy principle of adequacy, efficiency, and equity. The provisions of this bill reduce access to TIDD increment diversions. In the short run, TIDD diversions are tax expenditures. The theory is that, in the short run, the state gross receipts tax may, or may not, be greater than the TIDD diversion amount. However, in the long run, the increased tax base attributable to the TIDD project will increase revenues far greater than the amounts foregone in the short run. LFC is concerned that due to the increasing cost of tax expenditures, revenues may be insufficient to cover growing recurring appropriations.

The following is a table of amounts the state has diverted to the various approved TIDDs.

	(\$ in thousands)							
	Winrock Town Center TID Dist 1	Winrock Town Center TID Dist 2	City of Las Cruces TIDD	Taos Ski Valley TIDD	Quorum at ABQ Uptown TIDD	Mesa Del Sol TID District(Res)		Total
FY 09	\$0	\$0	\$0	\$0	\$0	-\$224		-\$224
FY 10	\$0	\$0	\$0	\$0	-\$7	-\$430		-\$437
FY 11	-\$2	\$0	-\$1,278	\$0	-\$276	-\$585		-\$2,140
FY 12	-\$8	\$0	-\$1,024	\$0	-\$194	-\$1,064		-\$2,290
FY 13	-\$3,012	\$0	-\$1,153	\$0	-\$14	-\$625		-\$4,804
FY 14	-\$720	\$0	-\$1,216	\$0	\$0	-\$415		-\$2,352
FY 15	-\$611	\$0	-\$1,248	\$0	\$0	-\$1,320		-\$3,179
FY 16	-\$1,390	-\$157	-\$1,072	-\$944	\$0	-\$675		-\$4,238
FY 17	-\$499	-\$247	-\$544	-\$445	\$0	-\$180		-\$1,915
Total to Date	-\$6,241	-\$404	-\$7,536	-\$1,389	-\$491	-\$5,519		-\$21,580

Winrock District 1, Winrock District 2, City of Las Cruces TIDD, Taos Ski Valley and Quorum at ABQ Uptown are brownfield (redevelopment) TIDDs that would qualify for TIDD status pursuant to the provisions of this bill. Mesa del Sol, the largest TIDD, is a greenfield TIDD. The SunCal/Westland Development TIDD bonds (9 TIDDs applied for, 4 approved by the Board of Finance) were not approved by the Legislature either in 2008 or 2009. Thereafter, the project went bankrupt and was taken over by Barclay’s Bank. The property is now owned by Western Albuquerque Land Holdings (WALH). If the bill passed and WALH were successful in the attempt to get Board of Finance approval of a TIDD for the Santolina project, then this bill would have no short-term fiscal impact. The fiscal effect of an approved TIDD is not included in the Consensus Revenue Estimate. Thus, any FY 18 impact would only be estimated in the August 2018 estimate. If the bill passed and WALH was not able to prepare a TIDD application to the Board of Finance, then the state would receive 100% of the state gross receipts taxes generated within project boundaries.

The financial risk contained in this bill is that, without TIDD approval and support, WALH and other similarly situated development companies, might choose to invest in other projects in other states. If that were to happen, for example, with the Santolina project, then the state as a whole might lose out on several billion dollars of investment.

## **SIGNIFICANT ISSUES**

This repeal of greenfield TIDDs not only prohibits a greenfield project for seeking approval of a state gross receipts tax TIDD increment, but would also prohibit a developer from seeking a conventional local TIDD, which would dedicate local option gross receipts tax increment and certain local property tax increments. The version of tax increment financing adopted in other states restricts the local contribution just to relatively easily measured property tax increments. However, the repeal of greenfield TIDDs in this bill would prevent a developer from soliciting a local TIDD increment, either of gross receipts tax or property tax. To date, there have been two local-only TIDDs: The Village at Rio Rancho (approved December 16, 2009) and Stonegate TIDD, the application for which was heard by the Rio Rancho City Council on July 14, 2014. TRD has processed minimal distributions to the Village at Rio Rancho TIDD and to the Stonegate TIDD.

## **PERFORMANCE IMPLICATIONS**

The LFC tax policy of accountability is partially met since TRD is required in the bill to report annually regarding the data compiled from the reports from taxpayers creating the TIDD distributions. However, the corresponding benefits of TIDDs are far more difficult to determine. Only if the developer tracks economic activity and jobs can there be a determination whether the process is meeting its purpose.

## **ADMINISTRATIVE IMPLICATIONS**

This change will decrease the workload of Board of Finance and LFC staff who will have fewer TIDDs to analyze. Since 2007, there have been seven TIDDs that have applied for state gross receipts tax increments. Each application can take hundreds of hours of staff time to analyze, although the most recent approval of the Taos Ski Valley TIDD only took 30 hours of staff time at BoF and LFC to analyze.

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

The provisions of this bill possibly relate to HB-66, which proposed to restore some authority to the Board of Trustees of the Town of Atrisco. The majority of the land in the historic Atrisco land grant was sold in 2006 to Westland Development Company. Subsequently, 55,000 acres were transferred to Western Albuquerque Land Holdings, which now owns the Santolina property. The issue of TIDD approval for this property is currently under discussion and negotiation.

## **OTHER SUBSTANTIVE ISSUES**

WALH is in the process of seeking approval for the Level B Master Plan for Santolina. A Master Plan would have to precede a TIDD application. The Bernalillo County Planning Commission recommended approval of the Level B Master plan on July 21, 2016. The County Commission has scheduled a hearing on the issue for March 14. A group calling themselves “Contra Santolina” has appealed the recommended approval and the discussion of the approval and the appeal will occur on the same agenda.

## Santolina Project Overview<sup>1</sup>

Western Albuquerque Land Holdings has been seeking approval of a Planned Communities Master Plan called the ‘Santolina Master Plan’ in southwestern Bernalillo County.

The plan area is approximately 13,700 acres, and is generally bound by Interstate 40 to the north, 118<sup>th</sup> Street and the escarpment open space to the east, the Pajarito Mesa to the south, and the escarpment area adjacent to the Rio Puerco Valley on the west.

Along with access from I-40, the property is can be reached from several existing roadways, including Central Avenue, Dennis Chavez Boulevard, Atrisco Vista Boulevard, and 118<sup>th</sup> Street. In June, 2015, the Bernalillo County Board of Commissioners adopted the Santolina Level A Master Plan for the entire 13,700-acre property.

The request for approval of the more specific Santolina Level B Master plan for a 4,243-acre portion of the property was submitted in January, 2016, and [is scheduled for hearing with the County Commission on March 14, 2017.]

### ALTERNATIVES

Amend the bill to allow local-only greenfield TIDDs.

LG/jle/al

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<sup>1</sup> <http://www.bernco.gov/planning/proposed-santolina-level-a-master-plan.aspx>