FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/18
SPONSOR Romero/Lente **LAST UPDATED** ______ **HB** 247

SHORT TITLE Exclude Greenfields From Tidd Act **SB** ______

ANALYST Graeser

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20	FY21	FY22		
	See Fiscal Impact Section				NA	General Fund
						Local Gov'ts

Parenthesis ( ) indicate revenue decreases

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Municipal League

SUMMARY

Synopsis of Bill

House Bill 247 amends the Tax Increment for Development District Act (5-15-1 – 5-15-28 NMSA 1978) to exclude "greenfields" from eligibility for either state or local eligibility. A greenfield area is defined to mean a land area that is primarily undeveloped and not currently served by municipal or county infrastructure or a project area that would primarily rely on building new structures and infrastructure rather than the redevelopment of exisiting structures and infrastructure.

Projects that have been approved by a governing body prior to July 1, 2018 or projects approved by the Board of Finance dedicating a state increment prior to July 1, 2018 would not be limited by this exclusion. The Board of Finance approved the Western Albuquerque Land Holdings TIDD in late 2017.

The effective date of this bill is July 1, 2018.

FISCAL IMPLICATIONS

There are no current project proposals that would be affected by the provisions of this bill. Existing projects that would have been excluded or included in the TIDD act follow:

Mesa Del Sol	Greenfield	2007
Winrock	Brownfield	2008
Winrock rebase	Brownfield	2015
Indian School (Quorum)	Uncertain	2008; later cancelled
Las Cruces downtown	Brownfield?	2009
SunCal (Atrisco) – West Mesa	Greenfield	2010 Approved by BoF, but bonds not approved by legislature. Project terminated.
Stonegate (Rio Rancho)	Uncertain	Local; no state increment
Taos Ski Valley	Brownfield	Completed
Western Albuquerque Land Holdings (Santolina)	Greenfield	Approved by Board of Finance in fall of 2017.

The Quorum project and the Stonegate (Rio Rancho) TIDD projects were built on what may have been vacant land (infill) within municipal boundaries. The first definition of "greenfield" in the bill would clearly reject Mesa Del Sol and SunCal -- WALH/Santolina. The second definition of "greenfield" may be more difficult to apply. Taos Ski Valley involved the redevelopment of the hotel and associated structures, but new construction of retail space and the infrastructure to support the new construction. The Winrock project involved razing the old buildings and building new structures from the ground up. It could be that all of the projects approved to date would be excluded because of the definition.

The typical TIDD project can be divided into five somewhat overlapping phases: (1) infrastructure construction; (2) construction of residential, commercial and industrial space; (3) growth phase; (4) maturity and (5) cancellation of the TIDD diversions. In the first two phases, gross receipts taxes on the construction typically result in net revenue gains for the sponsoring government and the state (if a state increment has been approved). In the growth phase, both sponsoring government and the state may lose revenue below the baseline in the absence of the project, assuming that there will be some displacement or cannibalization of economic activity from areas outside the TIDD to areas within the TIDD. In the maturity phase, net new economic activity may outpace the required TIDD diversions used to pay the TIDD bonds. Finally, when the bonds are paid off, the sponsoring government and the state have created a revenue-generating engine. Estimating any project *apriori* is extremely difficult. Because of adequate reporting and cooperation of the developer, the projects can be tracked quite well (with the exception of measuring displaced or cannibalized economic activity) for a number of years as the TIDD increments continue to be diverted. The only project to move through all phases is the Taos Ski Valley redevelopment. The TIDD increments were never used to purchase and amortize long-term bonds, but were "sponged." The TIDD has been dissolved and the State and Taos County are beneficiaries of substantial enhanced economic activity in the region. The jury is still out for Mesa del Sol. Apparently, the Winrock project will follow the original path after rebasing created a financing opportunity for the developer. The Las Cruces project can also be considered a success.

More than ten years into the TIDD experience, there is no certainty or consensus on the financial benefits or liabilities.

SIGNIFICANT ISSUES

In order to obtain approval of a local or state increment, the developer must show to the satisfaction of the sponsoring government that the project will result in jobs and economic opportunities and is in the best interest of the local government and the state (if a state increment if requested). The developer expends money on project infrastructure and transfers that infrastructure to the sponsoring government. The TIDD increments arise from incremental revenues over the baseline. For a greenfield, this baseline is effectively zero. All gross receipts taxes and property taxes contribute funds to the building of the infrastructure. If the new revenue stream is adequate to allow bonds to be sold, the TIDD board can sell the bonds and reimburse the developer at the time the infrastructure is transferred to the sponsoring government. This frees the developer's resources to build residential, commercial or industrial structures and deliver the jobs and economic opportunities implicit in the TIDD approval.

As mentioned above, the second definition of "greenfield area" may effectively exclude every one of the historically approved projects. The Board of Finance has previously promulgated a regulation governing the TIDD act. This new definition would probably be within the regulatory authority of the Board of Finance (BOF), as well.

PERFORMANCE IMPLICATIONS

One problem that has arisen over the years with the numerous TIDD projects is transparency and accountability. The Board of Finance usually requires some form of annual reporting from the projects sponsors. However, these reports are rarely given much attention or distribution. The Board could rectify this.

The LFC tax policy of accountability is nominally met since the BOF usually requires some annual reports on jobs, economic activity, construction activity and so on, but this information is less frequently reported to the legislature.

LG/al