



EVEDA: Economic Development Benefits Analysis (2004-2012)

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Prepared by:

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FINAL REPORT



EVEDA

Economic Development Benefit Analysis

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EXECUTIVE SUMMARY

This is a summary analysis of the economic impact that EVEDA—Estancia Valley Economic Development Association—has on its service area, with a focus on the costs and benefits to the respective EVEDA communities. Assessing economic impact is an inexact science at best. However, conclusions can be drawn from basic empirical data that EVEDA compiles.

The right way to look at government expenditure on economic development is as an investment. If public dollars are spent wisely, it results in job creation that otherwise would not have happened. This increases the tax base, and government ends up with a return on investment, similar to the private sector. Tying EVEDA activity directly to job creation is somewhat subjective. Some of the jobs that EVEDA brought to the region came as a result of its direct recruitment efforts. Additional jobs were started as a result of EVEDA's effort to assist companies and organizations to successfully carry out new business ventures.

On some employment creation initiatives, EVEDA was able to coordinate benefits to companies to “sweeten the pot,” which included incentives and tactical support to bring the projects to fruition. The benefits may not have always been the deciding factor, but EVEDA's involvement did keep the EVEDA communities in the game and created the right atmosphere to foster and close many deals. It is true that some businesses that EVEDA assisted might have located in the region regardless, but it can be shown that there is a correlation between job creation and the presence of an economic development organization in a community. Most rural communities that can point to economic development success count on an economic development entity as an important part of their development strategy.

This economic development analysis is based upon jobs and new income that EVEDA helped to bring to the region during the eight-year period from 2004 to 2012. During this period EVEDA worked with businesses and organizations that hired 519 permanent workers. In order to produce a conservative analysis, we used very low estimated average salaries for the type of work provided (based on industry averages), resulting in accumulated salary creation of approximately \$97 million for the entire eight-year period of 2004 to 2012.

It is also important to look at a single year's contribution. For this analysis, we chose 2012, the last complete year of data showing economic impact. A permanent job has lasting economic impact each year for as long as that job



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continues. Therefore, we compiled the amount of the accumulated total new salaries going into the Estancia Valley economy from jobs for the period 2004 to 2012, but paid out just in 2012. That paid out figure totals to \$15 million.

For this analysis, we categorized this income as "spending" within the region. In actuality, not all of the salaries would be spent in the year earned, and not all earnings would be spent in the region. However, many of the new businesses that came into the community provided retail goods and services. The extent that both residents and visitors spent money on these local goods and services instead of making purchases from outside the region (leakage) also counts as new spending and likely compensates for salary income not spent locally.

To determine total spending, we applied a conservative economic multiplier of 1.3 to the \$15 million of new income. An economic multiplier counts for money that is spent and re-spent (turns and churns) within the area. The 1.3 figure is used in other nationwide studies for small rural economies. Multipliers tend to be higher in lower income communities, as lower income people tend to spend more and save less. At the same time, the Estancia Valley is subject to high economic leakages as a good deal of money from the community is spent in the Albuquerque area.

Applying the 1.3 multiplier to the salary base results is a spending total of approximately \$21 million for 2012. This figure is considered additionally conservative because it does not take into account EVEDA job creation activity prior to 2004, which was substantial. (Note: We choose 2004 since this was the last period The Idea Group performed an impact analysis for EVEDA.)

If we apply a mill levy rate of 1.64 (estimated) as the local government share of gross receipts taxes and consider all of the income as subject to gross receipts taxes, the regional governmental share comes to over \$340,000 for the year. This figure also does not include property tax revenue from new construction and appreciation from new business activity. In addition to the salary figure, EVEDA helped to bring new construction into the area worth upwards of \$5.5 million plus an additional \$5 million of construction from the wind ranch.



EVEDA BENEFITS

In 2012, the yearly commitment from EVEDA community members was \$34,000 or 44% of its total income of \$77,500. Private contributions of \$44,500 rounded out the remaining EVEDA income. In other words, 56% of EVEDA income comes from non-community financial sources. Given that EVEDA communities contribute less than 50% of EVEDA's budget and the estimated financial impact from EVEDA's recruitment and assistance, there is obviously substantial gain to local government. In addition, EVEDA played a major role in helping to bring the development of the \$190 million High Lonesome Mesa Wind Project to Torrance County and secure the Payment on Lieu of Taxes (PILT) allocation of \$250,000 annually payable to the County from that project that is subsequently shared with the other EVEDA communities. Specifically, this lease agreement states a payment of \$325,000 per year for the first 10 years with an agreed upon portion to be paid by the issuer to the local school district.

Another way to assess the value of EVEDA is through a replacement cost analysis. EVEDA operates with a bare bones budget for an economic development organization of under \$75,000. With half of EVEDA's budget coming from the private sector, communities receive the benefits of having their own economic development organization for a fraction of its actual cost.

EVEDA also secures more than strictly monetary economic dividends. A few of the recent non-monetary accomplishments include: the accreditation of Torrance County as a State Certified Economic Development Community that qualifies the County for important incentives that can be used to promote new business; working with PlateauTel to bring fiber optics to the Estancia Valley; and spearheading an effort to qualify the area as a HUB zone, allowing for area small businesses that bid on government contracts to obtain competitive advantages. These and other similar accomplishments would not be in place but for the efforts of EVEDA and will pay economic dividends well into the future.

It has not been easy for stretched local government budgets to help fund EVEDA, especially during hard economic times. However, as the US begins to slowly emerge from the deepest post war recession in history, EVEDA is ideally positioned to continually bring substantial benefits to the region. This is the right time for local government to increase investment in EVEDA for proven returns. If EVEDA could support an assistant, then the Director could be more focused on activities that will directly pay-off in new business development and increased tax revenues. Effective economic development engenders a virtuous



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cycle in which a healthy and growing business climate attracts more business. Plus, in the case of EVEDA, increased public support will help to leverage additional private funding.

ECONOMIC IMPACT ANALYSIS

Determining what each community's share of the net tax gain is speculative.

Yr.	Jobs
2004	38
2005	125
2006	20
2007	264
2008	0
2009	10
2010	5
2011	31
2012	26
Ttl	519

For this analysis, tax revenues were spread across the communities based upon each community's share of jobs. Real tax gain per community, of course, is highly variable. What is unequivocal, however, is that total community contributions paid for 2012 were substantially less than the local government's tax revenue based only on gross receipts taxes that came in for that year due to EVEDA activity.

Based on regional data, EVEDA had a hand in the creation of 519 jobs from 2004 to 2012. If the eight years are averaged out, in two four year periods, the total number of jobs created per period is 260, which is less than the 447 jobs created during the prior four years of EVEDA operation (2000-2004). However, these jobs started

set against the economic recession of 2008. Of the 519 jobs, EVEDA directly recruited 204 jobs that likely would not have been initiated without EVEDA's intervention. With estimated salaries of \$5.5 million, using the multiplier again of 1.3, this creates \$7.23 million in new spending.

The estimated \$340,000 gross receipts tax revenues calculated above, when spread across EVEDA communities according to the number of jobs created in each community during the period 2004-2012 is as follows:

	Ttl. Jobs	2004	2005	2006	2007	2008	2009	2010	2011	2012
<i>Misc</i>	1							1		
<i>Torrance</i>	363	12	76	10		261				4
<i>Moriarty</i>	86	4	42	10				4	4	22
<i>Estancia</i>	4		2						2	
<i>Edgewood</i>	47	22							25	
<i>Mountainair</i>	18		5			3	10			
TtIs:	519	38	125	20	0	264	10	5	31	26



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Some of the highlights that resulted in major job creation for the period include a new Walgreen's, a Wal-Mart and a greenhouse operation. Both Walgreen's and Wal-Mart contacted EVEDA to get local market data and other assistance. EVEDA recruited the greenhouse. EVEDA is currently working with new business prospects with the potential to bring in close to 500 new jobs to the region in the near term.

Torrance	238,051
Moriarty	56,398
Estancia	2,623
Edgewood	30,822
Mountainair	11,804
Ttls:	\$340,353

EVEDA also recruited the new wind developer looking to build the El Cabo Project, which would be a 1,000 megawatt, multi-billion dollar endeavor and the largest wind development in the State with an estimated 1600 construction jobs and 250 permanent jobs over the next 10 years. EVEDA is the region's link to this project and has been able to entice El Cabo due to its ability to offer a legitimate regional development office. Given that the High Lonesome Mesa Wind Project, which is less than 10% of the size of the planned El Cabo Project, has created PILT income of \$250,000, it's easy to imagine future PILT dollars for El Cabo to be substantially higher.

It is important to remember that not all the benefits associated with EVEDA's contribution to the region can be analyzed by direct job creation and increases in the tax base. Qualitative factors must also be considered. For instance, the Estancia School District was the benefactor of a portion of the PILT payment by the High Lonesome Mesa Wind Project which helped to build a new middle school. These dollars would not have been available to the school district if it were not for the direct efforts of EVEDA to secure the High Lonesome Mesa Wind Project to the region.

Another intangible benefit EVEDA is the working relationship it has established with leading economic development groups in the state. EVEDA is a major partner with the NM Economic Development Department, the New Mexico Partnership, the Mid-Region Council of Governments and Albuquerque Economic Development. These organizations support EVEDA and provide lead flow to the region. If EVEDA did not exist, these opportunities would land in another community outside of EVEDA's territory. Further, through these relationships, EVEDA can quickly pull the resources together to solidify a deal.



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A LOOK TOWARD THE FUTURE

When EVEDA opened its doors more than a decade ago, regional economic development was in its infancy. Today, a regional approach is a growing trend and necessity for rural economic development because of its ability to keep costs low for its regional partners. For example, the Northeast Economic Development Organization, Inc. (NEEDO-NM), representing the northeast corner of our state, launched within the past few years to address the needs of that region. Additional regional economic development organizations have formed during the past decade as well. Many of today's available funding sources such as federal and state governments often require regional approaches when organizations are seeking funding. Smaller communities are now required to partner with its neighbors to be seriously considered for economic support. In the case of EVEDA, it has a decade of stability and proven results.

Given the economic benefits of EVEDA, one only wonders how much more effective the organization would be with an enhanced budget. At the present EVEDA is severely understaffed and unable to pursue all the possible opportunities available to the region. EVEDA's reputation in the State of New Mexico is that of a strong leader in business recruitment, expansion and retention. As a contributor to the organization, your brand as a 'strong county' is a fundamental marketing tool that is necessary to attract economic based industries, retail and service businesses. EVEDA is the champion for elevating the region's brand stature.

CONTACT INFORMATION

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**EVEDA ECONOMIC DEVELOPMENT ANALYSIS
2012 ACCUMULATED NEW SALARIES (FROM 2004)**

DATA								
Yr.	Community	Business	Type	Activity	Jobs	Est. Avge.	Extended	New Const (\$100/sq.ft.)
2004	Edgewood	1st Choice	Service	Assist Expansion	2	30,000	60,000	
2004	Moriarty	Tabacco Warehouse	Service	Recruit	4	22,000	88,000	
2004	Edgewood	Walgreen's	Retail	Assist	20	51,052	1,021,040	2,500,000
2004	Torrance	SASS Ranch	Misc.	Recruit	12	32,000	384,000	1,000,000
2005	Moriarty	Toba	Mfg.	Recruit	35	28,000	980,000	
2005	Estancia	Video	Retail	Recruit	2	18,000	36,000	
2005	Torrance/ Ranch	Ranch Const	Const	Assist		ST - 26	0	
2005	Mountainair	Talus Wind Meats	Food Prod.	Assist	5	18,000	130,000	
2005	Torrance	Greenhouse	Ag	Recruit	75	18,000	1,350,000	
2005	Torrance	Pool	Svc.	Assist	1	16,000	16,000	
2005	Moriarty	Construction Firm	Const.	Assist	7	28,000	196,000	550,000
2006	Moriarty	Micro-brewery	Mfg.	Recruit	10	30,000	300,000	
2006	Torrance	Electrical Contractor	Const.	Recruit	10	32,000	320,000	
2008	Mountainair	P&M Signs	Mfg.	Assist	3	25,000	75,000	1,000,000
2008	Torrance	Walmart	Retail	Assist	250	34,000	8,500,000	
2008	Torrance	Wind Project	Const./ Energy	Recruit	11	50,000	550,000	
2009	Mountainair	Affordable Buildings	Const.	Assist	10	32,000	0	
2010	SF County	Vet Project	Svc.	Assist	1	22,000	22,000	
2010	Moriarty	Recycle Re-locate	Svc.	Assist	4	25,000	100,000	
2011	Estancia	Salsa Business	Mfg.	Assist	2	22,000	44,000	
2011	Moriarty	Collision Repair	Svc.	Recruit	4	32,000	128,000	
2011	Edgewood	Arrow- Ag Prdcts	Retail	Recruit	25	28,000	700,000	
2012	Torrance	Fire Cert. Prgrm.	Svc.	Recruit	4	32,000	128,000	
2012	Moriarty	Flight Training	Svc.	Assist	2	30,000	60,000	
2012	Moriarty	Shooting Range	Svc.	Assist	8	22,000	176,000	
2012	Moriarty	UAV Rsrch./ Dvlpmnt.	R&D	Recruit	12	50,000	600,000	
			Totals		519		\$15,964,040	\$5,050,000