Summary of MRA TIF and SBOF Proposed Regulation (October 6, 2025)

I. Background: Distinguishing MRA and TIDA Frameworks

The Metropolitan Redevelopment Act (MRA) and the Tax Increment for Development Act (TIDA) share the tool of tax increment financing (TIF), but with fundamentally different legislative intents and applications:

- MRA is a <u>local government–driven framework</u> designed to eliminate blight and slum conditions in urban areas. It promotes public–private cooperation, improves health, safety and general welfare of the residents health and safety, increases property values, and reduces redevelopment financing barriers.
- TIDA is a <u>private developer–driven tool</u> created to incentivize large-scale economic development projects of regional or statewide significance, primarily in greenfield areas. It reimburses developers for public infrastructure costs and aims to grow the state's economic base and revenues.

Key Contrasts:
- MRA focuses on local municipal urban renewal and redevelopment, with state participation is structured to support local plans.
- TIDA focuses on job creation, base economic industries, and ROI to the state general fund.
- MRA (as amended with enhanced TIF in 2024) allows inclusion of state's share of gross receipts tax (GRT) increments to strengthen local redevelopment financing, but only when bonds are issued.
- TIDA relies heavily on state GRT increments and positions the SBOF as a proactive manager of statewide economic development initiatives.

- MRA is a public finance tool administered by local governing bodies to address a broad range of public needs focused on metropolitan redevelopment

- TIDA is a public finance tool administered by a special TIDA board to promote private investment in large-scale economic development efforts

II. 2024 Amendments to the MRA

The 2024 legislative changes expanded the MRA's financing powers with respect to TIF:

- Authorized state GRT increment (local & state share) as part of redevelopment projects, supplementing property tax increments.
- Enabled revenue bonds supported by both local property tax increment and state GRT

increment.
- Allowed use of TIF increments not just for infrastructure but also for programs and incentives, including public safety enhancements and gap financing for private investment.
- Emphasized that the state's role is not tied to direct ROI but rather to the public purpose of relieving slum and blight.

This broadened scope bridges the gap between MRA and TIDA in terms of potential revenue sources, but preserves the MRA's redevelopment-focused intent.

III. SBOF's Role Under Each Act

Under MRA:
- SBOF must approve use of the state's share of GRT increment.
- Oversight should be limited to reviewing whether a local government's MRA TIF Plan complies with law and protects fiscal stability, especially if long-term ("prospective") bonds are used.
- For sponge bonds (short-term, pay-as-you-go), there is no risk to state revenue, and review should focus on compliance, not growth metrics.

Under TIDA:
- SBOF is a central decision-maker with broad discretion.
- Oversees and approves projects directly tied to job creation, ROI, and industry attraction.
- Functions as a state-level economic development steward to ensure long-term fiscal benefits.

Comparative Role:
- MRA = limited gatekeeping, focused on local redevelopment goals.
- TIDA = proactive management, focused on state-led growth.

IV. Problems with the Proposed SBOF Regulation

The proposed regulation, modeled after TIDA requirements, conflates MRA and TIDA frameworks, undermining legislative intent.

- Imposes requirements not found in the MRA statute (e.g., proving base economic job creation).
- Risks deterring local governments—especially small, rural communities—from applying for MRA TIF due to excessive costs ($250–300K per application).
- Confuses whether applications should cover entire redevelopment areas or individual projects.
- Thwarts the Legislature's explicit goal of redeveloping slum and blighted areas, which may not always generate immediate economic ROI.

V. Recommended Solutions

A revised regulation should recognize the dual role of SBOF: safeguarding state revenue while implementing legislative intent. The following adjustments are proposed:

1. If no long-term bonding is anticipated:
- SBOF review should be confined to statutory compliance of the MRA TIF Plan, without requiring proof of statewide GRT growth or protection of future state revenues.
- Sponge bond use of the state's GRT increment should be approved if consistent with local redevelopment plans.

2. If long-term bonding is anticipated:
- SBOF should apply a more rigorous review, evaluating impacts on state fiscal stability and requiring more detailed application materials.
- Local governments should return to SBOF for approval if Plan changes introduce prospective long-term bonding.

This tiered review approach ensures that small-scale redevelopment efforts are not unduly burdened, while larger projects with potential fiscal impacts receive appropriate scrutiny.

VI. Conclusion

The 2024 MRA TIF amendment empowers local governments with expanded financing tools for blight remediation, while maintaining state oversight limited to fiscal safeguards.

- MRA TIF = redevelopment, local control, limited state oversight.
- TIDA TIF = statewide growth, proactive SBOF management, ROI-driven.

The proposed SBOF regulation, by applying TIDA-like standards to MRA projects, misaligns with legislative intent and risks undermining redevelopment efforts across New Mexico. A revised, differentiated regulatory approach is essential to preserve the distinct purposes of both acts and to support successful urban revitalization statewide.

MRA/TIF SBOF PROPOSED REGULATION

(Issue/Problems: SBOF Proposed Reg. policy is similar to policy for TIDD and not Metropolitan Redevelopment using TIF

TIDD is Private Sector applicant vs. Local Government

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TIDD is limited to re-imbursement to private developer for public infrastructure vs. public sector driven redevelopment of a blighted urban aera

I. Metropolitan Redevelopment Act (MRA or MRAct – Original Purposes and Intent (Public Local Government Oriented Process)

- **Primary statutory purpose**
  - Remedy conditions of slum and blight within municipalities
  - Facilitate redevelopment of deteriorated or underutilized urban areas
  - Encourage private sector investment through public–private cooperation
- **Policy rationale**
  - Promote health, safety, and welfare
  - Restore economic vitality and property values in distressed districts which constitute an economic or social burden
  - Reduce barriers to redevelopment financing
- **Government Roles**
  - State: State GRT increment through SBOF (should only apply for long-term prospective bonding)
  - Local Government: Determination of need and use of increments - Direct control, administration through Local Governing Body

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II. 2024 Amendment to the MRA – Legislative Intent

- **Authorization of expanded TIF tool**
  - Inclusion of **state gross receipts tax (GRT) increment** in financing packages
  - Allows municipalities to leverage broader revenue streams beyond property tax
- **Legislative objectives**
  - Strengthen redevelopment capacity in urban/metropolitan areas
  - Provide state participation to incentivize purpose of the Act NOT necessarily increasing state GRT receipts although
    - If successful, the state, regardless of its % of dedication of increment would collect more GRT than without the successful redevelopment of underperforming (blighted or slum) areas
  - Enable issuance of revenue bonds supported by both local property tax increment and GRT increment
- **Mandates and restrictions** (as indicated in statute)
  - Role of **State Board of Finance** in approving participation
  - Safeguards ensuring best opportunity for successful projects which align with state policy favoring redevelopment of blighted or slum areas regardless of direct return on investment

    - Limitation that state's increment participation requires bond issuance (not pure "pay-as-you-go")
- **Policy emphasis**
    - Balance between local redevelopment needs and state fiscal oversight
    - Fiscal oversight can be accomplished by review of the statutory required MRA Plan including TIF analysis
    - Legislature has determined that local redevelopment of these areas IS in the state's interest beyond any direct increase in GRT for the state
    - Consistent with the purpose of relieving blight and slum, the Legislature has allowed use of both the property tax increment and GRT increment (as limited by the statutory 75%), including the state's share of GRT Increment for broad purposes that not only include publicly infrastructure but also "programs" which could include public safety enhancements, and direct incentives for private investment in these areas such as "gap financing."

III. Tax Increment for Development Act (TIDA) – Purpose and Intent (Private Developer Oriented Process)

- **Primary statutory purpose**
    - Facilitate economic development projects of regional/state significance (infrastructure, large-scale commercial/industrial projects) – only can be used for publicly dedicated infrastructure
- **Policy rationale**
    - Attract new industries and expand state's economic base
    - Finance infrastructure for greenfield or underdeveloped areas
    - Encourage private sector investment in large projects that might not occur otherwise by reimbursing for publicly dedicated infrastructure
- **Key features**
    - "But for" justification
    - Broader project eligibility than MRA
    - Designed as a proactive economic development tool, not limited to slum/blight remediation
    - Reliance on state tax increments as funding source in order to create more state GRT revenue as well as create base economic jobs thus increasing income tax revenue for the state
- **Government Roles**
    - State: Direct control over use of State GRT (bond approval; performance, i.e. job metrics)
    - Local Government: Direct control over Local PT & GRT (bond approval; performance, i.e. developer reimbursements)

IV. Comparative Analysis – MRA (with 2024 Amendment) vs. TIDA

- **Common elements**
    - Both rely on tax increment financing as a tool to leverage future tax revenues for present redevelopment/economic development and/or pay-go via "sponge bonds" (local property

tax increment can be used via “pay-go” without “sponge bond” issuance but not the state’s share of GRT
    - Both require significant public–private partnerships
- **Distinguishing factors**
    - MRA (even as amended):
        - Rooted in **redevelopment of blighted/ underperforming urban areas**
        - Local/municipal focus with state participation
        - Includes physical, economic & social considerations to address blight
        - State GRT increment allowed but tied to **bond issuance** – “sponge or “long term”
    - TIDA:
        - Broader, statewide **economic development purpose**
        - Public infrastructure focus to address economic development objectives
        - Structured to directly harness **state tax revenues** for economic competitiveness
- **Legislative intent divergence**
    - MRA: primarily urban renewal with an expanded financing mechanism
    - TIDA: primarily economic development and growth strategy at a regional/state scale

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V. Conclusion

- Summary of how the 2024 amendment bridges the gap between MRA and TIDA by broadening available financing while still tethering redevelopment projects to urban revitalization goals
- Policy takeaway:
    - MRA (post-2024) = redevelopment + expanded financing tool with state partnership
    - TIDA = economic development engine beyond redevelopment context – primarily greenfield and only for publicly owned infrastructure

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VI. Comparative Roles of NMSBOF in approving the grant of a % of the state’s share of GRT regarding MRA/TIF vs. TID

VII. Metropolitan Redevelopment Act (MRA) – State Board of Finance Role

- **Authorization Context**
    - Historically local/municipal redevelopment tool focused on slum/blight elimination.
    - 2024 amendment broadened scope by allowing inclusion of **state gross receipts tax increment.**
- **Role of SBOF**
    - Must approve use of the state’s gross receipts tax increment.
    - Reviews financial feasibility of proposed projects
        - Can be done by reviewing local governments’ statutorily required MRA TIF Plan.
    - If long term bonds based upon estimates of future GRT are used then ensure alignment with state debt policy and fiscal stability – should not be an element of revenue if only property tax “prospective bonds/long term” or only sponge bonds are in the MRA TIF Plan

        - If there are significant changes in the plan which would include anticipation of "prospective bond/long term" issuance
            - If a project intends on using "prospective/long term" bonds pledging the state's share of the GRT increment then on a project by project basis that question should be brought back to the SBOF facing more rigorous analysis regarding the potential impact to state fiscal stability and revenue
- **Legislative Intent**
    - Legislature intended to give local governments expanded financial capacity.
    - SBOF's gatekeeping role ensures projects deliver genuine public benefit as opposed to emphasis on future state GRT revenue

VII. Tax Increment for Development Act (TIDA) – State Board of Finance Role

- **Authorization Context**
    - Enacted to promote large-scale economic development projects with statewide or regional impact (beyond blight remediation) – primarily used for 'greenfield development."
    - Focused on public infrastructure, industry attraction, and job creation.
- **Role of SBOF**
    - Directly administers state participation in TIF districts.
    - Approves and oversees projects using state tax increments (often GRT or other state revenue streams).
    - Greater discretion than under the MRA because projects are typically initiated with the **expectation of substantial state involvement AND direct ROI to the state general fund**.
- **Mandates & Restrictions**
    - SBOF may impose conditions to ensure long-term fiscal benefits to the state.
    - Evaluates projected return on investment, job creation, and statewide economic impacts.
- **Legislative Intent**
    - Legislature intended to create a proactive **economic development tool** for major projects.
    - SBOF positioned as a **centralized fiscal steward** to align TIF with statewide growth objectives.
    - Emphasis on **state-driven initiatives** rather than local redevelopment.

IX. Comparative Analysis – SBOF under MRA vs. TIDA

- **Scope of Oversight**
    - MRA: SBOF approval is **conditional and limited**—only when state tax increments are pledged – should be to evaluate the soundness of local governments' MRA TIF plans to achieve the LOCAL governments' redevelopment goals for blighted or slum areas.
    - TIDA: SBOF is an **active central player** in all projects, with broad discretion.
- **Legislative Intent Contrast**
    - MRA: Redevelopment-focused; SBOF acts as a **check** on local governments to assure the MRA TIF Plan satisfies the statutory requirements and not as an increase state revenue tool.
    - TIDA: Economic development-focused; SBOF functions as a **driver and facilitator** of statewide projects – protect state future revenues.

- **Policy Rationale**
    - MRA: Ensure redevelopment projects do not pledge future state revenues without safeguards
        - Note – sponge bond issuance poses NO risk of future state revenue.
    - TIDA: Ensure state revenues are strategically invested in projects that expand the state's economic base.

X Conclusion

- The **State Board of Finance serves distinct roles** under the two acts:
    - **MRA (2024 amendment)**: A limited gatekeeping and oversight function, ensuring responsible use of state increments for urban redevelopment not requiring the increasing of state revenues.
        - Again, increasing state revenues would be a result of increment due to redevelopment but not the intent of the MRA TIF amendment
    - **TIDA:** A proactive managerial and strategic role, central to advancing large-scale economic development projects and increasing state revenue.
- The contrast reflects **different legislative intents**:
    - MRA = Local redevelopment with limited state safeguard.
    - TIDA = State-led economic growth with strong SBOF leadership.

XI – Proposed SBOF Regulation conflates the TIF component of the MRA with TIDA and therefore, fails to recognize the significantly different legislative intents as well as its directed respective roles

- SBOF should understand and appreciate that the applicant for the use of the state's share of the GRT increment are subdivisions of the state and not direct reimbursement to the private sector
    - It is conservatively estimated that the cost to local governments to make application (potentially, small rural communities in dire need of redeveloping blighted or slum areas) would be $250-300K – a sum that will act as a barrier to application which will severely deter the implementation of the statutory goas of MRA TIF
    - The proposed Regulation imposes many requirements that are not imbedded nor implied by the MRA TIF plan requirements as per the MRAct thus thwarting the intent of the Legislature and will impair the desired redevelopment of blighted and slum areas throughout the state.
- The proposed Regulation has requirements such as "how many base economic jobs" will be created which while certainly a desirable thing, not the real goals of the MRAct
- The proposed Regulation is confusing in that it is not clear if an application can cover the entire MRArea or does each project have to be reviewed

XII – Suggested Solutions

- Recognizing SBOF's important but dual role of implementing the legislative intent of the MRA TIF amendment while protecting the state's future GRT revenue a proposed Regulation that:
    - If the MRA TIF Plan (as statutorily required – if TIF is to be used then specifies with economic analysis and public benefit must be contained in the local government approved MRA Plan) does not anticipate within the MRArea at this time the use of "prospective/long-term bonding" pledging the state's share of the GRT increment, then the SBOF reviews should be confined to assure that the MRA Plan using the state's share of

the GRT via sponge bonds only complies with the requirements of the act – not require "proof" of general state growth of GRT or protection of future state GRT revenues – it is not necessary nor required by the statute
    - IF the MRA TIF Plan does anticipate use of "prospective/long-term bonding" pledging the state's share of the GRT then a more rigorous review considering state fiscal plans and protection are justified
    - The Act requires the local government to return to the SBOF with any significant changes to the Plan & therefore,
        - If project by project the local government likely in conjunction with a private sector developer, would have to return to the SBOF if they desired to "long-term bond" a project and at that time the local government could impose the burden of an application with a more rigorous review of implications to the state's future revenue could be imposed
- Summary of Recommended revised SBOF Regulation – If the MRA TIF Plan does not at that time to utilize the state's share of GRT increment to support "prospective, long-term" bonds, the SBOF review should be confined to assure statutory compliance regarding the MRA PLAN (including & focusing on the TIF element) component of the MRA statute BUT if/when on a project by project basis it does include the intent to immediately use the state's share of the GRT for long-term bonding then the more TIDA like analysis can be applied.