Summary of Tax Increment Development District Annual Reporting FY 2023

PURSUANT TO 2.61.3.10.D NMAC AND 5-15-29 NMSA 1978, SECTION 5-15-29

TAX INCREMENT DEVELOPMENT DISTRICTS

Tax Increment Development Districts (TIDDs) are special districts that use Tax Increment Financing (TIF), or incremental tax revenues generated by a development project, to fund public infrastructure associated with those development projects. TIF is most often used to spur development where it might not otherwise occur as well as and as a tool to encourage redevelopment in blighted areas.

TIDDs may receive incremental gross receipts tax (GRT) or property tax revenues from the state, the county, and the municipality and/or property tax increment revenues from the county and municipality. Those revenues can be used to fund infrastructure, which would eventually be deeded to the appropriate government that would then operate and maintain the public infrastructure. In the case of state GRT revenues, those revenues must be used to pay off debt (short- or long-term bonds) created by financing the infrastructure.

New Mexico passed the Tax Increment for Development Act, Section 5-15 NMSA 1978 in 2006. The Act governs the formation and operations of TIDDs in New Mexico. TIDDs are formed by a county or municipal governing body. The governing body may adopt a resolution declaring its intent to form a tax increment development district after (1) an approved tax increment development plan and a (2) petition bearing the signatures of the owners of at least 50% of the real property in the district has been filed with the clerk of the governing body. TIDDs are governed by the governing body that adopted the resolution to form the district or by a five-member board composed of members appointed by the governing body in addition to the Department of Finance and Administration Secretary or his/her designee.

REGARDING GRT INCREMENT BONDS

- Local option gross receipts taxes are paid into a special fund of the district to pay the principal, interest, and premiums of GRT increment bonds issued by the district.
- The city, county, or state cannot dedicate more than 75% of its GRT increment.
- Board of Finance approval is required for a TIDD to receive state GRT increment. The Board must determine that the dedication is reasonable and in the best interest of the state and that the dedication will stimulate the creation of jobs, economic opportunities, and general revenue for the state through the addition of new and expansion of existing businesses.
- TIDDs must issue GRT increment bonds that are secured by state GRT increment within four years of receiving approval of the state dedication of GRT increment by the Board of Finance. GRT increment bonds must have a maturity of no longer than 25 years.
- Property owners within the district (the developer(s)) must contribute a minimum of 20% of the initial public infrastructure costs prior to the issuance of GRT or property tax increment bonds.
- The New Mexico Finance Authority must review all proposed issuances of increment bonds and determine the proceeds of the bonds will be used for projects within the TIDDs in accordance with the TIDD development plan. Additionally, the legislature must approve the issuance of the bonds.
- The legislature must also approve any distribution of increment revenues prior to their distribution.

OTHER INFORMATION IN THE TAX INCREMENT FOR DEVELOPMENT ACT

- TIDDs may revise the base year that the district uses to determine its GRT increment. “Rebasing” must be approved by the State Board of Finance.
- TIDDs must report annually to the Legislative Finance Committee and the Board of Finance.

GRT and Property Tax Increments (TIDDs Receiving State GRT Increment)

The following sections provide a summary of the information reported by the six Tax Increment Development Districts (TIDDs) that were previously approved to receive state Gross Receipts Tax increment dedication and currently receive revenue distributions from the state. TIDDs are required to report annually on information related to job creation, revenue distributions, capital investments, and outstanding debt.

Timeline of District Approvals to Receive State GRT Increment

		Jan 2006	Dec 2007	Oct 2008	Dec 2008	Jul 2015	May 2017	Dec 2022
		Mesa del Sol	DevCo Districts	Winrock Town Center	City of Las Cruces	Taos Ski Valley	Lower Petroglyphs	South Campus
GRT Dedication	State	75%	50%	62%	75%	50%	65%	56.23%
GRT Dedication	County	100%	100%	67%	75%	0%	0%	75%
GRT Dedication	City	67%	0%	70%	75%	75%	75%	75%
Property Tax Dedication	County	10%	10%	50%	75%	35%	0%	75%
Property Tax Dedication	City	67%	0%	75%	75%	75%	65%	75%

NOTES

Mesa del Sol	Includes Districts 1 through 5.
	The City GRT increment is 67 percent of the local option GRT revenues (ex. Transportation and Infrastructure Tax) and state-shared GRT.
	The County GRT increment is 100% of the third 1/8th and all of the 1/16th of County GRT increment.
	The City and County property tax dedications are percentages of the "operating" mills.
DevCo	Includes Districts 2, 3, 4 & 8.
	The County GRT increment is 100% of the third 1/8th of the County GRT increment and 100% of its environmental services GRT increment.
Winrock	State increment is an average for three districts (57%, 60% & 70%); TIDD underwent a rebasing in 2015.
	The County GRT increment equals 67% of the first, second, and third one-eight of GRT and 67% of the one-sixteenth of GRT receipts.
	One-sixteenth of the County's property tax dedication is for security infrastructure.
Las Cruces	TIDD only received the state dedication up to a certain dollar amount, which was reached in Dec 2018. The TIDD no longer receives state GRT.
	The County increment was 75 percent of the first 0.125% of the local option GRT.
Lower Petro.	The City GRT is 75% of its municipal infrastructure GRT increment (0.04065) and 65% of its general purpose GRT increment (0.325000). City share of GRT excludes public safety and transportation tax.

GRT & Property Tax Distributions & Capital Investment

TIDDs can receive GRT increment from the state, the county, and the municipality and/or property tax increment revenues from the county and municipality. Tax increment revenues are tracked by the Taxation and Revenue Department (TRD). As TIDDs are governed by boards, those boards can elect to issue short or long-term bonds to finance public infrastructure, with that infrastructure eventually being dedicated to a public entity. Additionally, debt can be issued prior to the developer providing public infrastructure improvements or afterwards to reimburse the developer for the investments they make.

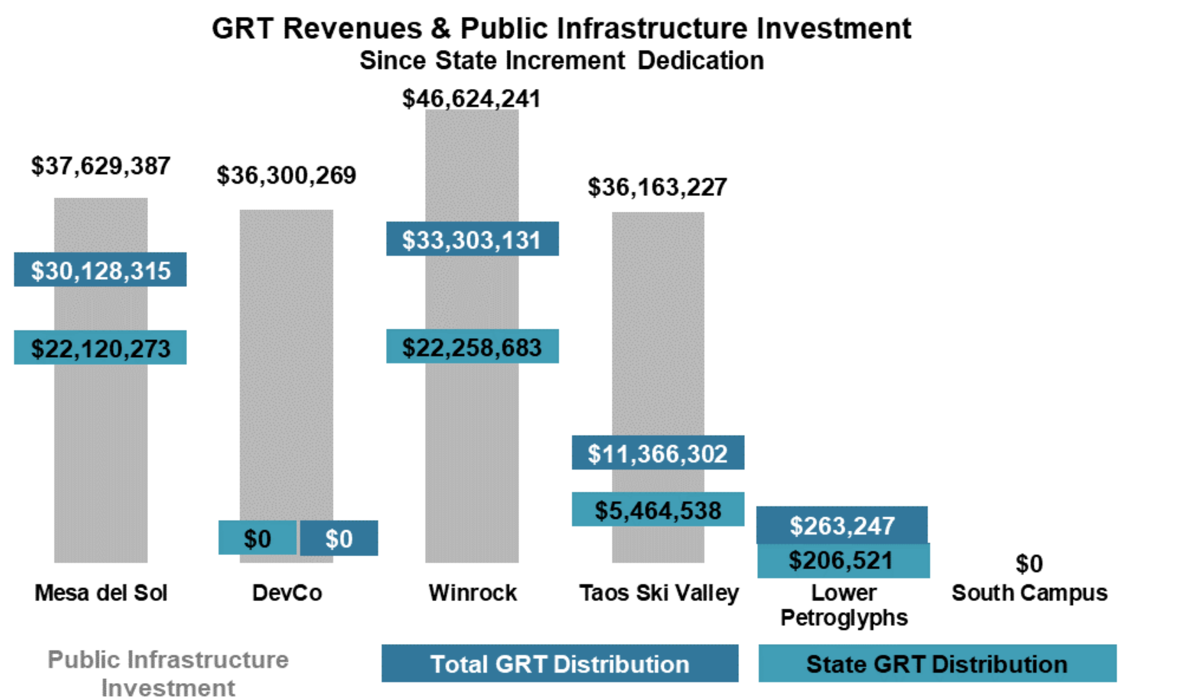
Gross Receipts Tax Revenues Distributed to TIDDs

		State			County			Muni		
District		FY23	FY22	**To Date**	FY23	FY22	**To Date**	FY23	FY22	**To Date**
Mesa del Sol	Dec-06	$6,750,960	$5,397,049	**$22,120,273**	$309,956	$133,892	**$858,824**	$1,627,366	$942,122	**$7,149,218**
DevCo	Dec-07	$0	$0	**$0**	$0	$0	**$0**	--	--	**--**
Winrock	Oct-08	$4,566,787	$6,319,927	**$22,258,683**	$391,798	$338,378	**$2,004,406**	$1,688,117	$1,467,549	**$9,040,042**
Taos Ski Valley	Jul-15	$1,161,784	$941,171	**$5,464,538**	--	--	**--**	$1,059,925	$628,165	**$5,901,764**
Lower Petroglyphs	May-17	$180,649	$184,599	**$206,521**	--	--	**--**	$54,099	$42,098	**$56,726**
South Campus	Dec-22	$0	$0	**$0**	$0	$0	**$0**	$37,638	--	**$37,638**

Winrock Winrock underwent re-distribution in 2014 and 2015. Total distributions account for adjustments made.

Lower Petro. The district returns revenues to the state on a quarterly basis in compliance with the BOF resolution.

- The three TIDDs that have received any substantial amount of increment include Mesa del Sol, Winrock Town Center, and Taos Ski Valley. These three TIDDs have also reported public infrastructure improvements exceeding $35 million since their inception.
- The State distribution equals 48 percent of total distributions to date for Taos Ski Valley, 67 percent of total distributions for Winrock Town Center, and 73 percent of total distributions for Mesa del Sol.
- The Lower Petroglyphs TIDD has received a small amount of state increment revenue, which it returns to the state. This will occur until a certain amount of investment (for the development of a hospital) is made within the district.
- During FY23, errors in the amount of GRT increment distributed to each TIDD by the State were identified for the period of July 2021 through January 2023. This resulted in net over-distributions to each TIDD. The TIDDs are undergoing reconciliation work to confirm the amount of increment that must be returned to the State due to the net overpayments. FY22 and FY23 increment totals will be revised in future reports to reflect corrected distributions.



TIDDs also report on total public infrastructure investment and private capital investment. Investment for public infrastructure represents what would be funded by State GRT increment revenues via the issuance of short- or long-term bonds.

- A significant amount of activity has occurred in Mesa del Sol since 2007. The developer has reported public infrastructure investments totaling $37.8 million. The Netflix campus is currently underway and includes both public and large private investment, which contributed to a large increase in overall private capital investment in FY23.
- Winrock Town Center reported private investment of about $61.2 million. Public and private increased in FY23, with public investment quadrupling. The increase is partially driven by the development of its public park.
- Taos Ski Valley reported public investment to be $1.9 million, with investment in the Village's water system. It had previously estimated private investment at $20 million, but increased that amount to $60 million, but did not provide detail on private investments.
- DevCo has invested in public infrastructure of just over $36 million. There was no new investment activity in FY23.
- South Campus, the newest TIDD, reported activity, but public and private investment has yet to occur. Activity is expected for FY24, and is summarized in the attached information.

Public & Private Investment by TIDD

		Public			Private		
District		FY23	FY22	**To Date**	FY23	FY22	**To Date**
Mesa del Sol	Dec-06	$1,202,765	$6,014,422	**$37,629,387**	$130,657,291	$30,631,128	**$520,252,515**
DevCo	Dec-07	$0	$0	**$36,300,269**	$0	$0	**$0**
Winrock	Oct-08	$5,368,150	$1,333,598	**$46,624,241**	$2,048,863	$1,816,891	**$61,239,149**
Taos Ski Valley	Jul-15	$1,900,000	$1,100,000	**$36,163,227**	$60,000,000	$20,000,000	**$316,000,000**
Lower Petroglyphs	May-17	$0	$0	**$0**	$0	$0	**$0**
South Campus	Dec-22	$0	$0	**$0**	$0	$0	**$0**

Public Infrastructure & Private Capital Investment

	Mesa del Sol*	DevCo	Winrock*	Taos Ski	Lower Petro	South Campus
FY23 Public	Residential in tract infrastructure Infrastructure related to Netflix	None	Construction on community park/gathering place and road leading into public parking	Village water infrastructure	N/A	None
FY23 Private	United Polycom Netflix Campus IB Charter School Residential-related infrastructure	None	150-room Marriott hotel, 3-story mixed-use building, a couple of smaller buildings and buildouts for four new tenant spaces	Not provided by TIDD	N/A	None
Pre FY23 Key Activities	Roadway and other infrastructure; commercial buildings, including ABQ studios, Molina, town center, DEA/ICE facilities	Roadways, drainage, and traffic improvements to Ladera Drive and atrisco Vista Boulevard and sanitation, water system, and drainage improvements	Construction & renovation of commercial buildings; construction of parking garages, site work; landscaping, lighting; private roads; other infrastructure	Public plaza; pedestrian walkways; stormwater drainage & detention; river restoration; roadway improvements; fiber cabling; water and wastewater	N/A	None

*The private capital investment for the Netflix master plan and design, with costs of $15.5 million, is not included. See attached summary of South Campus TIDD activity that will generate future public and private capital investment.

Job Creation & Employers

Per the Tax Increment Development Act, TIDDs must report on job creation an annual basis—total jobs *and* new full-time economic base jobs created in the district. New full-time economic base jobs are those that are:

1) primarily performed in New Mexico;
2) held by an employee who is hired to work an average of at least thirty-two hours per week for at least forty-eight weeks per year;
3) involved, directly or in a supervisory capacity, with the production of: 1) a service; provided that the majority of the revenue generated from the service is from sources outside the state; or 2) tangible or intangible personal property for sale; or
4) held by an employee that is employed at a regional, national or international headquarters operation or at an operation that primarily provides services for other operations of the qualifying entity that are located outside the state; and
5) not directly involved with natural resources extraction or processing, on-site services where the customer is present for the delivery of the service, retail, construction or agriculture except for value-added processing performed on agricultural products that would then be sold for wholesale or retail consumption.

Employment data can be challenging for TIDDs to track. Employment can be generated by business activity as well as construction activity, and when private employers are involved, data are not always shared with the TIDD. The corresponding table reflects the jobs reported for FY23 and to date for the three TIDDs reporting job creation, alongside select employers.

- Mesa del Sol has reported a total 3,944, a small decrease from FY22. Mesa del Sol reports that most of its job creation reflects economic base jobs.
- Winrock Town Center has reported 824 jobs created since inception, with eight created in FY23. Since the majority of these jobs are connected to the retail and food services industries, the TIDD states none of the jobs meet the definition of full-time economic base jobs.
- Taos Ski Valley reported approximately 199 new jobs in FY23. Unfortunately, Taos Ski Valley only records employment with Taos Ski Valley, Inc. and construction-related employment.
- DevCo, Lower Petroglyphs, and South Campus reported no job creation to date.

Job Creation & Select Employers
(for TIDDs Reporting Job Creation)

	Mesa del Sol	Winrock	Taos Ski
Full-Time Economic Base Jobs			
FY23	232	0	Not provided by the TIDD
To Date	3,944	0	
Total Jobs			
FY23	240	8	199
To Date	4,457	824	1,497
Select Employers	ABQ Studios/Netflix	Regal Theater	Taos Ski Valley is only reporting construction and developer jobs and not any job creation within the district from TIDD activities.
	Fidelity	Mattress Firm	
	Guzman Construction	Uptown Dental	
	Kairos Power	David's Bridal	
	Molina Healthcare	ULTA Beauty	
	MSR FSR / CFV	TJ Maxx	
	SC3	Famous Footwear	
	United Polycom Systems	Nordstrom Rack	
	White Whale Productions	PetSmart	
	Schott/URS/Nova	Men's Wearhouse	
	Silver Heart Productions	Sketchers	
	DEA	Various Restaurants	
	ICE	NM Orthopedics	
	Eatery	TriCore Labs	
	K2 Reality	Dave & Buster's	
	NM Aggregate	Chuze Fitness	
	NM United	ABQ Hearing & Balance	
	Rio Fitness	Stretch Labs	
	The International School	The Joint Chiropractic	
	UNM Film School	Presbyterian Health Plan Place & Medicare Advantage Clinic	

Please provide any general narrative updates on the activity within the TIDD, including but not limited to new construction, public infrastructure dedications, and upcoming projects.

SC TIDD Creation Timeline

The South Campus TIDD was formed by the City of Albuquerque, in partnership with UNM, in October of 2021.

In November 2022, Bernalillo County dedicated a share of its GRT to the SC TIDD and in December 2022 the State Board of Finance dedicated a share of the State's GRT to the SC TIDD.

House Bill 353, a bill authorizing the issuance of bonds by the South Campus TIDD was passed at the 2023 Legislative Session. On April 5, 2023, the Governor signed HB 353.

Development Prospects and Activity at SC TIDD

With the SC TIDD funding increments recently secured, work has begun to attract development partners to opportunities within the SC TIDD boundaries. Additionally, planning has begun on development projects that will be led by Lobo Development Corporation as the developer of record for the SC TIDD.

Gibson Town Center

As of September 1, 2023, 1.3 acres has been sold to a developer for construction and operation of a quick serve restaurant. This is one of the highest grossing QSR's, on a per square foot basis, in the country. It is also one of the fastest growing as measured by revenue and number of stores opened per year. The chain has over 700 locations in the United States. This will be the third outlet for this company in the Albuquerque area. The land parcel is in a section of the TIDD which will require the least amount of public infrastructure to support the development and it will bring in a significant amount of GRT. The buyer has already received City of Albuquerque municipal development review and approval with permits issued. Construction on the parcel is ready to proceed and is expected to be completed and the restaurant open by June 2024.

A sale and purchase agreement for 2.1 acres (two adjacent parcels) is fully negotiated and is under final review and approval by the buyer. The agreement will be moving to execution in September 2023. The buyer is a quick serve restaurant with 387 locations throughout the western United States. This will be their first location in New Mexico. This is another QSR with industry leading per square foot revenue. Construction on the site will begin in May 2024. With opening expected in December 2024.

A letter of intent and exclusive right to negotiate agreements have been signed for a 32-acres site which will be developed into a retail center with 330,000 square feet of retail space anchored by a major national retailer. The ground lease for the land is 98% negotiated. The developer is working to secure the anchor tenant. The majority of the site engineering and architectural design has been completed. It is anticipated that the ground lease will be executed by December 2024 with start of construction by March 2024. The center will be open by May 2026.

Lobo Village Retail and Entertainment

A ground lease for a 1.1-acre site in the west parking lot of the University Arena is currently under negotiation. The proposed use is a UNM Athletics themed sports bar and grill. The full-service dining restaurant is expected to open in early 2025.

Science and Technology Park

There are currently no active negotiations. Lobo Development is in the concept design and site selection phase for a new research and development building to be located at the Science and Technology Park.

Central Campus

Lobo Development is in discussions with several multi-family housing development firms with the intention to build approximately 200 units at the southwest corner of Central Ave and University Blvd. It is anticipated that the development will take a full year to negotiate, design and finance. Opening is expected in 2026.