

1 **CITY OF SANTA FE, NEW MEXICO**

2 **BILL NO. 2017-13**

3 **INTRODUCED BY:**

4
5 Councilor Mike Harris

Councilor Ron Trujillo

6 Councilor Peter Ives

Councilor Signe Lindell

7 Councilor Joseph M. Maestas

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9
10 **AN ORDINANCE**

11 **RELATING TO THE CITY OF SANTA FE ECONOMIC DEVELOPMENT PLAN**
12 **ORDINANCE, ARTICLE 11-11 SFCC 1987; APPROVING AND ADOPTING A LOCAL**
13 **ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT BETWEEN**
14 **THE CITY OF SANTA FE AND SECOND STREET BREWERY, INC. FOR EXPANSION OF**
15 **THE MANUFACTURING FACILITY, A LOCAL ECONOMIC DEVELOPMENT**
16 **PROJECT.**

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18 **BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:**

19 **Section 1. Short Title.** This Ordinance shall be known as the "Second Street Brewery,
20 Inc. Local Economic Development Project Ordinance."

21 **Section 2. Recitals.**

22 A. The Local Economic Development Act, Sections 5-10-1 et. seq. NMSA 1978
23 explicitly permits municipalities to assist qualifying entities with economic development projects
24 through the use of public resources; and

25 B. The City of Santa Fe has complied with the requirements of the Local Economic

1 Development Act by adopting an Economic Development Fund Ordinance (11-14 SFCC (1987)),
2 incorporating within that ordinance its community economic development plan and its economic
3 development strategy for implementation dated May 21, 2008; and

4 C. Second Street Brewery ("Qualifying Entity") is a distillery for the purpose of
5 manufacturing, processing and assembling of agricultural or manufactured products to market under
6 the Economic Development Ordinance that creates economic base jobs.

7 D. State of New Mexico has appropriated \$100,000 to the project for construction costs
8 and materials associated with the physical expansion of the facility and to improve or construct
9 infrastructure to provide service to the facility at 2920 Rufina Street in Santa Fe, New Mexico, for
10 construction costs and materials including water, sewer, natural gas, telecommunications, broadband
11 connectivity, roads and other infrastructure necessary to provide service to the facility. This project
12 identified as "Project" will provide expansion and opportunity for manufactured products to market
13 and thus, generate more tax bases, and more gross receipts taxes.

14 **Section 3. Findings.** The governing body hereby finds:

15 A. The City of Santa Fe has determined that it is in the interest of the welfare of the
16 citizens of Santa Fe to enter into an Economic Development Project Participation Agreement for the
17 purposes of effectuating its Economic Development Plan and the Project.

18 B. In compliance with the City's Economic Development Fund Ordinance, 11-14 SFCC
19 (1987), this Project Participation Agreement between Second Street Brewery and the City clearly
20 state the following:

- 21 (1) The economic development goals of the project;
22 (2) The contributions of the City and Second Street Brewery;
23 (3) The specific measurable objectives upon which the performance review will
24 be based;
25 (4) A schedule for project development and goal attainment;

1 (5) The security being offered for the City's investment;

2 (6) The procedures by which the Project may be terminated and the City's
3 investment recovered;

4 (7) The time period for which the City shall retain an interest in the Project; and

5 (8) The Second Street Brewery is a qualifying entity; and

6 (8) A "sunset" clause after which the City shall relinquish interest in and
7 oversight of the project.

8 **Section 4. Approval and Adoption of the Project Participation Agreement.** The
9 governing body hereby approves the 2017 PPA (attached as Exhibit A) whereby the City will be the
10 Fiscal Agent for the State Legislative appropriation of \$100,000. The City will pass through the State
11 Legislative appropriation of \$100,000 to the Second Street Brewery and the funds will be used for
12 construction costs for the physical expansion of the facility and to improve or construct infrastructure
13 to provide service to the facility for manufactured products to market and thus generate more tax
14 base, and more gross receipts taxes.

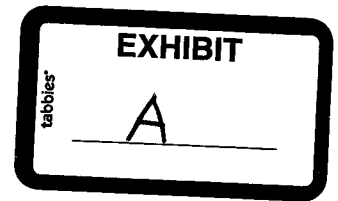
15 **Section 5. Severability Clause.** If any section, paragraph, clause, or provision of this
16 ordinance, or any section, paragraph, clause, or provision of any regulation promulgated hereunder
17 shall for any reason be held to be invalid, unlawful, or unenforceable, the invalidity, illegality, or
18 unenforceability of such section, paragraph, clause, or provision shall not affect the validity of the
19 remaining portions of this ordinance or the regulation so challenged.

20 **Section 6. Effective Date.** This ordinance shall become effective immediately upon
21 adoption.

1 APPROVED AS TO FORM:

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4 KELLEY A. BRENNAN, CITY ATTORNEY



CITY OF SANTA FE
ECONOMIC DEVELOPMENT
PROJECT PARTICIPATION AGREEMENT

THIS PROJECT PARTICIPATION AGREEMENT ("Agreement") is made and entered into this ____ day of _____, 2017 by and between the City of Santa Fe, a municipal corporation (hereinafter referred to as the "City") and Second Street Brewery, Inc., a New Mexico corporation (hereinafter referred to as the "Qualifying Entity" or "Q/E").

WHEREAS, the State of New Mexico has deemed it in the best interest of the citizens of New Mexico to enact the Local Economic Development Act (LEDA) (N.M. Stat. Ann. 5-10-1 et seq. (1978);

WHEREAS, LEDA explicitly permits municipalities to assist qualifying entities with economic development projects through the use of public resources;

WHEREAS, the City has complied with LEDA requirements by adopting an economic development plan ordinance incorporating within that ordinance its community economic development plan (11-11 SFCC (1987)), called the Community Economic Development Plan and Economic Development Strategy for Implementation dated May 21, 2008;

WHEREAS, Second Street Brewery, Inc. is a "qualifying entity" under LEDA and the Economic Development Ordinance in that it is a "business in a primary industry that creates economic base jobs which is defined as a company that manufactures...or processes goods" (SFCC § 11-11.4 (A)); is "an industry for the manufacturing, processing or assembling of agricultural . . . products" and also is "a commercial enterprise for storing, warehousing, distributing or selling products of agriculture" (NMSA 1978, Section 5-10-3 (I));

WHEREAS, all requirements under the Economic Development Ordinance have been fulfilled;

WHEREAS, the Q/E has submitted an application ("Application") to the City for assistance under the Economic Development Plan Ordinance (11-11 SFCC (1987)) and for the City act as fiscal agent for the grant monies ("Grant Monies") granted by the City through its Office of Economic Development and through the New Mexico Economic Development Department;

WHEREAS, in the Application, the Q/E proposed an "economic development project" compliant with LEDA, in that it will use the Grant Monies for construction costs and materials associated with the physical expansion of its facilities and to improve or construct infrastructure, including water, sewer, natural gas, telecommunications, broadband connectivity, roads and other infrastructure necessary to provide service to the facility (the "Project") located at 2920 Rufina Street, Santa Fe, New Mexico, 87507;

WHEREAS, the City has determined that it is in the interest of the welfare of the citizens of the City to enter into this Agreement for the purposes of effectuating its economic development plan;

WHEREAS, the State of New Mexico's contribution to the Project is One-hundred Thousand Dollars (\$100,000) from the New Mexico LEDA Fund ("NM LEDA Fund") pursuant to an intergovernmental agreement between the City and the State to be executed soon after the execution of this Agreement; and the Q/E shall contribute at least One Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) to the Project; and

WHEREAS, the Project addresses the following objectives from the Santa Fe Economic Development Implementation Strategy as adopted by City Resolution 2008-42: "Diversify the Santa Fe Economy with an emphasis on high wage jobs and career paths;" "Pursue overall affordability where local wages can support living in Santa Fe (reduce leakage);" and "Bolster Santa Fe's leadership position and/or potential in innovation."

WHEREAS, this Agreement clearly provides the following as required by LEDA and the Economic Development Plan Ordinance: (1) the economic development goals of the Project; (2) the contributions of the City, State, and the Q/E; (3) the specific measurable objectives upon which the performance review will be based; (4) a schedule for project development and goal attainment; (5) the security being offered for the City's and State's investment; (6) the procedures by which the project may be terminated and the City's investment recovered; (7) the time period for which the City shall retain an interest in the Project; (8) a "sunset" clause after which the City shall relinquish interest in and oversight of the Project; and (9) that the Qualifying Entity is a qualifying entity.

NOW THEREFORE, in consideration of the foregoing, the following and other good and valuable consideration, the receipt of which is hereby acknowledged the undersigned parties hereby agree as follows.

1. CONTRIBUTIONS OF THE CITY, THE STATE AND THE Q/E

A. Contributions of the State and the City. The maximum Grant Monies that may be disbursed under this agreement shall be \$100,000, as described below:

(1) City Contribution. The City will serve as fiscal agent pursuant to the Intergovernmental Agreement between the City and State.

(2) State Contribution: This Agreement governs the State's contribution of One-Hundred Thousand Dollars (\$100,000) from the NM LEDA Fund by way of the New Mexico Economic Development Department. No Grant Moneys shall be used to pay for removable equipment.

(3) Disbursement of Grant Monies: Dispersal of the NM LEDA Funds by the State and the City are contingent upon the following:

(a) The City and the New Mexico Economic Development Department shall execute an intergovernmental agreement for the State to grant \$100,000 to the City as fiscal agent for the Project; and

(b) The Q/E shall submit to the City for review, a cover letter, invoice and supporting documentation of the completion of each Project phase:

- (i) Design and Improvements to site for parking and access and landscaping city code requirements.
- (ii) Building infrastructure - Construction and trim-out of outdoor seating area.
- (iii) Build out of brewery, canning line electrical service, and general plumbing and mechanical infrastructure.
- (iv) Miscellaneous items to support function, safety, and code compliance of entire site, including warehouse, malt transport, storage facilities, brewhouse, quality control laboratory, packaging, and taproom.
- (v) Construction and development of remaining infrastructure to building and site.

(c) The City shall reimburse to the Q/E the Grant Monies not to exceed \$100,000 within a reasonable time after the City's review and acceptance that the Project has been completed to the satisfaction of the City. If Grant Monies from the City and State do not fully fund the Project; the Q/E shall contribute any additional funds necessary to fund the remainder of the Project.

B. Contributions of the Q/E.

(1) Financial Investment: The Q/E shall contribute One-Million Eight Hundred Fifty Thousand Dollars (\$1,850,000) or more in matching funds to complete the Project.

(2) Project Management: Unless otherwise specified in this Agreement, the Q/E shall be responsible for managing all parts of the Project.

(3) Construction Jobs Creation: The construction of the facilities is anticipated to create 51 direct production jobs and 30 indirect and induced jobs over the course of the next ten years (See pages 4 and 6 of Economic Impact Report – Attachment C). The construction phase is estimated to generate 13 temporary direct construction related jobs which, in turn, is expected to generate approximately \$575,490 in total estimated construction salaries (See page 8 of Attachment C), and a total direct economic output for the expansion of the facility in the amount of \$102,504,350 over ten years, as further described in the Economic Impact Report (See page 4 and page 6. The construction phase is expected to be complete by July 31, 2018. See **Attachment "C"**).

(4) Full-Time Equivalent Employment: Within five years after this Agreement has been entered into, the Q/E will have created 5 direct full-time production equivalent employment jobs that have been retained by the Q/E for at least one year and meet the schedule of job creation and minimum average wages pursuant to the Job Creation Schedule. See **Attachment "A"**.

(5) Expanded Tax Base: As a result of the completion of the Project, the Q/E will generate contributions to the City's tax base, as enumerated in the Economic Impact Report. Annual tax revenues for the City generated by this Project (including property taxes, gross receipts taxes, utility fees, utility franchise fees, lodger's taxes and other use taxes) are estimated \$2,746,208 over ten years. (See pp. 10 of Economic Impact Report.)

(6) Proportional Investment: The Q/E at its discretion may decide to not accept the entire \$100,000 in Grant Monies for the Project. If the Q/E does not accept the entire granted monies, then the capital investment and job creation requirements would then decrease proportionally to the level of Grant Monies accepted. The Q/E shall notify the City 30 days prior to its decision.

2. PERFORMANCE REVIEW AND CRITERIA

A. Economic Development Goals. The following Project and Economic Development Goals shall be fulfilled by the Q/E:

(1) By the end of the year 2019, after completion of the construction of the facilities, the Q/E shall employ at least four (4) new full-time equivalent employees in the City of Santa Fe, while retaining the prior employment, and in accordance with the minimum average wage in the Job Creation Schedule. See **Attachment "A"**.

Example: By the end of the year 2019, the Q/E will have at least 4 new full-time equivalent jobs: at least two of those new job will have been created that same year, and at least 2 prior new jobs will have been retained from the prior year, and the remaining 60 jobs that had existed prior to entering into this agreement will also have been retained. The two new full-time equivalent jobs shall have a minimum average wage of \$63,000 per year.

(2) By the end of the year 2022, the Q/E shall employ no less than five (5) new full-time equivalent production employees in the City of Santa Fe, while retaining the prior employment figures, in accordance with the minimum average wage data points in the Job Creation Schedule.

(3) The Q/E's contribution as set forth in Paragraph 1.B herein, is incorporated into the Economic and Development Goals.

(4) If any Economic Development Goal set forth in Paragraph 2.A is not met in a manner deemed satisfactory by the City, the City shall within 30 days send a written Notice of Default to the Q/E informing the Q/E how many days it has to cure the default or repay the Grant Monies expended in proportion to the Economic Development Goals not yet achieved. If the Q/E has documented to the City's satisfaction that the Q/E has cured or repaid by that time, the City may elect to foreclose on the security interest and terminate this Agreement.

B. Reports; Certifications; Review.

(1) Biannual Report. During the term of this Agreement, the Q/E shall provide to Office of Economic Development staff biannual reports in the months of January and June of each year. The Q/E's biannual reports shall clearly indicate how the Q/E has met the job creation requirements in **Attachment A**, and the taxes generated and other indices contained in the Economic Impact Report. Biannual reports shall be in the form of an affidavit signed by an officer of the Q/E. Biannual reports shall include a copy of FORM ES-903 provided by the Q/E to the City, which the Q/E filed with the New Mexico Department of Workforce Solutions, to demonstrate compliance with this Agreement at each review cycle. In the biannual report, the Q/E shall include number of jobs and the average wage of the new employees. The City's review of the biannual reports shall determine whether the Q/E is in compliance with this Agreement and is substantially achieving the goals and objectives herein.

(2) Annual Reports. The City may require the Q/E to provide annual reports to the City's governing body and the Economic Development Advisory Committee (EDAC). The City will give the Q/E a minimum of 30 days' notice if reports to the governing body or EDAC are required. City staff shall review these reports to ensure the Q/E's compliance with this Agreement in accordance with the Job Creation Schedule.

(3) Expanded Tax Base Report: Within a reasonable time after completion of the construction of the facilities, but in any event by the next biannual report, the Q/E shall provide to the City a written report on the construction jobs and wages created and the economic impacts thereof.

(4) Certification of Non-Interest. The Q/E shall certify to the City that no member, officer, or employee of the City or its designees or agents, no member of the governing body of the locality of which the program is situated, and no other public official that exercises any functions or responsibilities with respect to the Project during his/her tenure, or for one year thereafter, has any interest, direct or indirect, in the Q/E or any contract or subcontract, or the process thereof, for work to be performed in connection with the Project that is the subject of this Agreement. The Q/E shall certify that such a provision shall be included in all contracts and subcontracts in connection with the Project.

D. Documentation of Completion of Construction Phases: Within a reasonable time after completion of each phase listed in Paragraph 1.A (3) (b) herein, the Q/E shall provide documentation of its completion to the Office of Economic Development. The Q/E shall provide documentation to the City that construction of the facilities was completed by January 31, 2019. See Construction Schedule, attached as **Attachment "B"**.

3. RECAPTURE PROVISIONS FOR PUBLIC MONEYS

A. In the event that by the end of year three (3) after construction of the facilities is complete, the Q/E has employed less than five (5) new full-time equivalent production employees in the City of Santa Fe, the Q/E shall be deemed to be in default ("Default"), and within 60 days of the City receiving the biannual report with information of such default, the City shall send a written Notice of Default to the Q/E informing the Q/E how many days it has to cure the default or repay the Grant Monies expended, in proportion to the Economic Development

Goals not yet achieved. If the Q/E remains noncompliant after any applicable cure period, then the City may elect to pursue any and all remedies available in law or equity, including but not limited to initiating foreclosure of the security interest or demanding timely repayment by the Q/E of the Grant Monies in proportion to the unmet goals, as the City in its sole discretion may determine subject to reasonable calculations.

B. In the event the Q/E ceases operations or closes its processing facility before the end of year three of this Agreement, the Q/E shall be deemed in Default and the Q/E shall timely reimburse 100% of all Grant Monies in the amount of One-Hundred Thousand Dollars (\$100,000) to the City of Santa Fe Economic Development Fund.

C. If the Q/E is still in business by 2022, and has employed five (5) new full-time equivalent production employees for the entire year immediately prior twelve-month period in accordance with the minimum average wage requirement in **Attachment "A"** while retaining the prior employment figures, then the Q/E has no repayment obligations to the City and the State. The Q/E has until 10 years from the date of the Agreement to complete its obligations to the City and State.

4. Q/E BUYOUT

The Q/E may, at its election, buyout and thereby terminate this Agreement by repaying in full to the City all Grant Monies. Such repayment by the Q/E shall be without penalty until and unless the City initiates clawback of the Grant Monies, at which point costs, expenses (including City staff time) and attorney's fees will accrue to the repayment amount.

The Q/E must send prior written notice to the City of the Q/E's intent to repay in full the Grant Monies at least 45 days prior to the Q/E's repayment. The City's receipt of the Q/E's repayment of all disbursed Grant Monies (including any costs, fees and expenses resulting from clawback proceedings) constitutes satisfaction of the Q/E under this Agreement, upon which the Q/E may request release of the security interest, and the City will release the security interest within a reasonable time after receiving the Q/E's written request.

Within 30 days of receiving such notice from the Q/E, the City will notify the New Mexico Economic Development Department of the Q/E's intent to exercise the buyout clause. The City will reimburse the New Mexico Economic Development Department its portion of the repaid Grant Monies within 60 days after the City receives the repaid monies from the buyout.

5. SECURITY FOR CITY'S INVESTMENT; CLAWBACK

This is a grant project only, with the City acting as fiscal agent. The Q/E has no loan obligations for repayment to the City or State, but is obligated to fulfill the Economic Development Goals of this Agreement, however if the Q/E is found by the City to be in default, then the City may elect to demand financial reimbursement by the Q/E.

A condition precedent to this PPA is securitization of the Grant Monies which may be clawed back if the Q/E fails to meet its performance goals under this PPA. As security for fulfilling the Economic Development Goals, before the City may disburse any appropriations to the Q/E, the amount of Public Monies to be reimbursed shall be securitized in a manner

satisfactory to the City. The expected securitization method is an irrevocable stand-by letter of credit from an issuing financial institution, with the City as beneficiary, from which the City may immediately draw down upon the City's presentation of a demand for payment and evidence of Q/E's default ("Irrevocable Letter of Credit"). This Irrevocable Letter of Credit shall extend to at least ninety days after the fifth year this Agreement is entered into (the Project Period), plus additional automatic one-year extensions terminable at the sole option and discretion of the City. At any given time, the Irrevocable Letter of Credit must secure an amount, and the City shall be able to draw down an amount, at least equal to the amount of appropriations made to the Q/E for the Project, the maximum being \$100,000. Funds from the Irrevocable Letter of Credit may be drawn in one drawing or from time-to-time in or one or more partial drawings on or before the expiration date.

During the term of this Agreement, the Q/E may request a full or partial release of the Irrevocable Letter of Credit by the substitution of collateral, repayment of the disbursed appropriation or proof that the Q/E has met the Contribution and Economic Development Goals, in part or in whole, under this Agreement. Any full or partial release of the Letter of Credit will be proportional to the value of the substitute collateral, repayment or the portion of Economic Development Goals met. Acceptance of substitute collateral or proof of performance goals shall be within the City's sole and absolute discretion.

6. **TERM; SUNSET**

This Agreement shall remain in force for 10 years from the execution date of the Agreement, or until conditions of the Agreement are performed in full to the satisfaction of the City, whichever is earlier. In the event the Q/E performs or exceeds the required performance levels contained in this Agreement, as may be determined by the City, this Agreement may be terminated at that time in writing by the City pursuant to Paragraph 7, below.

This Agreement will not be deemed terminated and this Agreement will remain in effect unless and until the City determines that the objectives under this Agreement have been fulfilled and a closure letter by the City is provided to the Q/E.

7. **TERMINATION**

This Agreement may be terminated by the City upon written notice delivered to the Q/E at least 45 days prior to the intended date of termination in the event that the Q/E ceases to operate the Project in accordance with the terms of this Agreement. If the Q/E is found to not be in substantial compliance with the Agreement, the City reserves the right to terminate the Agreement and recall in full the Grant Monies.

The Q/E may terminate the Agreement by pre-paying in full to the City and without penalty any Grant Monies disbursed to the Q/E. The Q/E must send a written letter to the City giving notice of its intent to pre-pay the Grant Monies in full within 45 days prior to the Q/E's intent to repay in full the Grant Monies

8. **STATUS OF THE Q/E**

The Q/E, and its agents and employees are not employees of the City. The Q/E, and its agents and employees, shall not accrue leave, retirement, insurance, bonding, use of City vehicles or any other benefits afforded to employees of the City as a result of this Agreement. The Q/E shall be solely responsible for payment of wages, salaries and benefits to any and all employees or subcontractors retained by Contractor in the performance of the services under this Agreement.

9. **ASSIGNMENT AND SUCCESSORS; BINDING EFFECT**

- A. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors in interest by way of merger, acquisition, or otherwise and their permitted assigns.
- B. The Q/E shall not assign or transfer any of its rights, privileges, obligations or other interest under this Agreement, voluntarily or involuntarily, whether by merger, consolidation, dissolution, operation of law or any other matter, including any claims for money due or to become due under this Agreement, without the prior written approval of the City.
- C. Any purported assignment of rights in violation of subsection (B) is void.

10. **INDEMNIFICATION; LIABILITY**

It is expressly understood and agreed by and between the Q/E and the City that the Q/E shall defend, indemnify and hold harmless the City for all losses, damages, claims or judgments on account of any suit, judgment, execution, claims, actions or demands whatsoever resulting from the Q/E's actions or inactions as a result of this Agreement, as well as the actions or inactions of Q/E's employees, agents, representatives and subcontractors. The Q/E shall maintain adequate insurance in at least the aggregate maximum amounts which the City could be liable consistent with the provisions of the New Mexico Tort Claims Act. It is the sole responsibility of the Q/E to be in compliance with the law.

11. **INSURANCE**

A. The Q/E, at its own cost and expense, shall carry and maintain in full force and effect during the term of this Agreement, comprehensive general liability insurance covering bodily injury and property damage liability, in a form and with an insurance company acceptable to the City, with limits of coverage in the maximum amount which the City could be held liable under the New Mexico Tort Claims Act for each person injured and for each accident resulting in damage to property. Such insurance shall provide that the City is named as an additional insured and that the City shall be notified no less than 30 days in advance of cancellation for any reason. The Q/E shall furnish the City with a copy of a "Certificate of Insurance" as a condition prior to performing under this Agreement.

B. The Q/E shall also obtain and maintain Workers' Compensation insurance, required by law, to provide coverage for Q/E's employees throughout the term of this Agreement. The Q/E shall provide the City with evidence of its compliance with such requirement.

12. **NEW MEXICO TORT CLAIMS ACT**

Any liability incurred by the City of Santa Fe in connection with this Agreement is subject to the immunities and limitations of the New Mexico Tort Claims Act, Section 41-4-1, et seq. NMSA 1978, as amended. The City and its "public employees" as defined in the New Mexico Tort Claims Act, do not waive sovereign immunity, do not waive any defense and do not waive any limitation of liability pursuant to law. No provision in this Agreement modifies or waives any provision of the New Mexico Tort Claims Act.

13. **THIRD PARTY BENEFICIARIES**

By entering into this Agreement the parties do not intend to create any right, title or interest in or for the benefit of any person other than the City and the Q/E. No person shall claim any right, title or interest under this Agreement or seek to enforce this Agreement as a third party beneficiary of this Agreement.

14. **RECORDS AND AUDITS**

The Q/E shall maintain throughout the term of this Agreement and for a period of six years thereafter, all related records, including but not limited to, all financial records, requests for proposals (RFPs), invitations to bid, selection and award criteria, contracts and subcontracts, advertisements, minutes of pertinent meetings, as well as records sufficient to fully account for the amount and disposition of the total funds from all sources budgeted hereunder, the purpose for which such funds were used, and other such records as the City or the State shall proscribe. The Q/E shall be strictly liable for receipts and disbursements related to the Project Grant Monies. These records shall be subject to inspection by the City, the New Mexico Economic Development Department, and the State Auditor upon request. The City shall have the right to audit billings both before and after payment; payments under this Agreement shall not foreclose the right of the City to recover excessive illegal payments.

15. **APPROPRIATIONS**

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the City Governing Body and the New Mexico Economic Development Department on behalf of the Q/E to the City for the performance of this Agreement. If sufficient appropriations and authorization are not made by the City Governing Body and the New Mexico Economic Development Department on behalf of the Q/E to the City, this Agreement shall terminate upon written notice being given by the City to the Q/E.

16. **RELEASE**

The Q/E, upon final fulfillment of this Agreement, releases the City, its officers and employees, from all liabilities, claims, and obligations whatsoever arising from or under this Agreement. The Q/E agrees not to purport to bind the City to any obligation not assumed herein by the City unless the Q/E has express written authority to do so, and then only within the strict limits of that authority.

17. **CONFIDENTIALITY**

Any confidential information provided to or developed by the Q/E in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Q/E without the prior written approval of the City.

18. **CONFLICT OF INTEREST**

The Q/E warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under this Agreement. The Q/E further agrees that in the performance of this Agreement no persons having any such interests shall be employed.

19. **APPLICABLE LAW; CHOICE OF LAW; VENUE**

The Q/E shall abide by all applicable federal and state laws and regulations, and all ordinances, rules and regulations of the City of Santa Fe. In any action, suit or legal dispute arising from this Agreement, the Q/E agrees that the laws of the State of New Mexico shall govern. The Parties agree that any action or suit arising from this Agreement shall be commenced in a federal or state court of competent jurisdiction in New Mexico. Any action or suit commenced in the courts of the State of New Mexico shall be brought in the First Judicial District Court.

20. **AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto.

21. **SCOPE OF AGREEMENT**

This Agreement incorporates all the agreements, covenants, and understanding between the parties hereto concerning the subject matter hereof, and all such covenants, agreements, and understandings have been merged into this written Agreement. This Agreement expresses the entire Agreement and understanding between the parties with respect to said performance. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in the Agreement.

22. **REPRESENTATIONS AND WARRANTIES**

A. The Q/E hereby warrants the Q/E is and will remain in compliance with the Americans with Disabilities Act, 29 CFR 1630. The Q/E hereby agrees to defend, indemnify and hold harmless the City from and against all claims, suits, damages, costs, losses and expenses in any manner arising out of or connected with the failure of the Q/E, its contractors and subcontractors, agents, successors, assigns, officers or employees to comply with provisions of the ADA or the rules and regulations promulgated there under the Americans with Disabilities Act, 29 CFR 1630.

B. The Q/E agrees to comply with the applicable provisions of local, state and federal equal employment opportunity statutes and regulations.

C. The Q/E shall comply with City of Santa Fe Minimum Wage, Article 28-1-SFCC 1987, as well as any subsequent changes to such article throughout the term of this Agreement.

23. **APPLICABLE LAW**

This Agreement shall be governed by the ordinances of the City of Santa Fe and the laws of the State of New Mexico.

24. **NON-DISCRIMINATION**

During the term of this Agreement, the Q/E shall not discriminate against any employee or applicant for an employment position to be used in the performance by the Q/E hereunder, on the basis of ethnicity, race, age, religion, creed, color, national origin, ancestry, sex, gender, sexual orientation, physical or mental disability, medical condition, or citizenship status.

25. **SEVERABILITY**

In case any one or more of the provisions contained in this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein and any other application thereof shall not in any way be affected or impaired thereby.

26. **NOTICES**

Any notices required to be given under this Agreement shall be in writing and served by personal delivery or by mail, postage prepaid, to the parties at the following addresses:

If to the CITY OF SANTA FE:
City of Santa Fe
Attn: Office of Economic Development Director
P.O. Box 909
Santa Fe, NM 87504

If to QUALIFYING ENTITY:
Rod Tweet, CEO
Second Street Brewery, Inc.
1814 2nd Street
Santa Fe, NM 87505

27. **HEADINGS**

The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

28. **ATTACHMENTS**

All attachments are fully incorporated herein and made a part of this Agreement.

29. **COUNTERPARTS**

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

30. **REPRESENTATION ON AUTHORITY OF SIGNATORIES**

The signatory for the Q/E represents and warrants that he or she is duly authorized and as legal capacity to execute and deliver this Agreement. The Q/E represents and warrants that the execution and delivery of the Agreement and the performance of the Q/E's obligations hereunder have been duly authorized and that the Agreement is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CITY OF SANTA FE:

Javier M. Gonzales, Mayor

ATTEST:

Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:

**INTERGOVERNMENTAL AGREEMENT
NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT AND
THE CITY OF SANTA FE, NEW MEXICO**

This Intergovernmental Agreement (“Agreement”) is entered into as of the date of the last signature affixed below by and between the New Mexico Economic Development Department (“EDD”) and the City of Santa Fe, a municipal corporation of the State of New Mexico (“City”), collectively referred to as the “Parties,” with reference to the following facts.

SECTION 1. RECITALS:

WHEREAS, the New Mexico State Legislature enacted Laws 2014, Chapter 63, Section 5, Subsection 33 which appropriated ten million dollars (\$10,000,000) to EDD “[f]or economic development projects pursuant to the Local Economic Development Act” (the “Appropriation”); and

WHEREAS, the purpose of the Local Economic Development Act, NMSA 1978 §§ 5-10-1 through 5-10-13 (2007) (“LEDA”), is to provide “public support for economic development to foster, promote and enhance local economic development efforts...;” and

WHEREAS, the City has adopted LEDA by Ordinance 2004-42 which established the City’s Economic Development Plan that promotes economic development within the City and Ordinance No. 2008-42 amending the Economic Development Plan Ordinance; and

WHEREAS, the City has adopted Ordinance No. _____ (“Ordinance”) to approve the economic development project (“Project”) to secure the expansion of Second Street Brewery Inc., a New Mexico corporation (“Second Street”) within the City; and

WHEREAS, the City has entered into a Local Economic Development Project Participation Agreement (“PPA”) with Second Street and, pursuant to the terms of that PPA, Second Street will provide a substantive contribution in exchange for the public contribution. A copy of the PPA and any amendments are attached hereto as **Exhibit A**; and

WHEREAS, the EDD and the City desire to enter into this Agreement to facilitate disbursement of funds for the Project.;

NOW THEREFORE, the Parties do hereby agree to the following terms and conditions to accomplish the Project.

SECTION 2. PURPOSE OF AGREEMENT:

The purpose of this Agreement is to place the primary responsibility on the City to oversee and administer the appropriation for the Project. It is the intent of the Parties that the EDD will transfer an amount not to exceed One Hundred Thousand Dollars (\$100,000.00) (the “Funds”) from the Appropriation to the City for expenditures made to implement the Project. The Parties agree that any and all State Funds received by the City will be accounted for by the City as the fiscal agent for the EDD in accordance with the procedures the City will use to account for its own funds and property used to implement the Project, or any properties acquired or developed by the City as a result of implementation of the Project will be used by the City for economic development purposes only.

SECTION 3. SCOPE OF WORK:

The City will act as fiscal agent for the appropriation supporting the Project. EDD will transfer an amount not to exceed One Hundred Thousand Dollars (\$100,000.00) from

the Appropriation to the City for expenditures made to implement the Project, pursuant to LEDA, Section 5-10-3(D), NMSA 1978. In exchange for the appropriation, Second Street will create 5 new jobs and contribute \$1,850,000 in capital investment within five years after the execution of this Agreement. The City will review the Project timeline and progress bi-annually until the five-year anniversary of this Agreement or until the City certifies to the EDD that the requisite economic goals have been completed to the City's satisfaction or that the \$100,000 in grant monies have been reimbursed to EDD. In the event that Second Street falls below the hiring target in any given period, reimbursements will be suspended until hiring target is achieved and sustained for at least ninety (90) days.

The EDD and the City agree that failure of Second Street to make the required contribution will result in a violation of the terms and conditions of the PPA. Such violation, after any cure period granted, will require that the City foreclose on the security interest. All the terms, conditions and requirements set forth under the PPA are incorporated into this Agreement by reference. All state funds recaptured from Second Street by the City shall be returned to EDD within 60 days.

SECTION 4. CITY OF SANTA FE RESPONSIBILITIES:

The City shall:

1. Submit all documentation supporting expenditures made to implement the Project in a format acceptable to EDD. The City shall notify the EDD in writing of any default by Second Street within 30-60 days of the event of default;
2. Serve as fiscal agent for the Funds transferred to it under this Agreement;

3. Complete all of the following goals identified in this Agreement within the time limits agreed upon by the Parties:
 - a. Account for receipts and disbursements of reimbursed Funds;
 - b. Provide the EDD with the required financial documentation pertaining to this disbursement;
 - c. Submit all required and reasonably requested documentation to the EDD, including the endorsed LEDA Ordinance approved by the City Council accepting the Project for Second Street as a qualifying entity pursuant to LEDA, with the endorsed Project Application and PPA entered into by the City and Second Street, a fully executed copy of the security interest, and copies of invoices and other documentation as required by the EDD within the time required; and
4. Not impose any obligations on EDD with respect to the administration of this Project, other than the reimbursement of Funds described in this Agreement; and
5. Monitor job creation by Second Street and report the number of jobs created in January and June of each year to EDD for a period of five years after this Agreement has been entered into. Job reports shall include a copy of FORM-903 provided by Second Street to the City, on file with the New Mexico Department of Workforce Solutions.

The Parties have created a schedule as listed in the PPA, which is hereby incorporated into this Agreement and made a part hereof by this reference as though set forth in full.

SECTION 5. CITY CERTIFICATIONS:

As fiscal agent, the City hereby assures and certifies that:

1. It will comply with all applicable State laws, regulations, policies, guidelines and requirements with respect to the acceptance and use of State funds;
2. It has the legal authority to receive and expend the funds;
3. It will enforce the provisions of Ordinance No. _____ approving the Project;
4. It has exercised due diligence in certifying that the Project is a viable economic development initiative with potential long-term economic development benefits;
5. It will provide the EDD all documentation and references to expertise it has relied upon in approving this Project upon receipt thereof or reliance thereupon and copies of all reports and documentation it receives from Second Street;
5. It has entered into a PPA and has obtained all financial documentation necessary to protect the City's and the State's investments in this project;
6. It shall not at any time during the life of this Agreement convert any property acquired or developed pursuant to this Agreement to uses other than those within the Project description as defined in Section 2 - Purpose of Agreement and Section 3 - Scope of Work, stated above;
7. It will notify the EDD of any default within 10 days of an event of default. Further, the City shall provide the opportunity for any default to be cured by Second Street in accordance with the PPA prior to termination thereof.

8. No member, officer, or employee of the City or its designees or agents, no member of the governing body of the locality of which the program is situated, and no other public official that exercises any functions or responsibilities with respect to the Project during his/her tenure, or for one (1) year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the process thereof, for work to be performed in connection with the Project that is the subject of this Agreement. The City shall incorporate in all contracts or subcontracts a provision prohibiting such interest pursuant to this certification; and
9. It has complied with Article IX, Section 14 of the New Mexico Constitution, known as the “anti-donation clause.”

SECTION 6. EDD RESPONSIBILITIES:

EDD shall:

1. Transfer an amount not to exceed One-Hundred thousand dollars (\$100,000.00) from the Appropriation to the City for expenditures made to implement the Project; and
2. At the EDD’s discretion, review and audit the Project if it is deemed to be necessary or desirable.

SECTION 7. TERM OF AGREEMENT:

This Agreement shall become effective on the date it is fully executed and shall terminate when Second Street documents to the City’s satisfaction that the required economic and development goals have been satisfied.

SECTION 8. LIABILITY:

No Party shall be responsible for liability incurred as a result of the other Party's acts or omissions. Any liability incurred in connection with this Agreement is subject to the immunities and limitations of the New Mexico Tort Claims Act, NMSA 1978, §§ 41-4-1, *et seq.* The Parties may agree to reimburse one another under these liability provisions, subject to sufficient appropriation by the New Mexico Legislature or sufficient funds being available to the Party, as determined by the Party responsible for payment.

SECTION 9. DISPOSITION OF PROPERTY; RECORDS; RETURN OF SURPLUS FUNDS:

1. Property purchased under this Agreement for the Project shall remain with the purchasing Party unless otherwise agreed upon.
2. The City Finance Department shall keep such records as will fully disclose the amount and disposition of the total funds from all sources budgeted for the Project, the purposes for which such funds were used, and such other records as the EDD may require.
3. If, upon the expiration of the Project or the termination date of this Agreement, any surplus Funds are possessed by the City, the City shall return said Funds to the EDD for disposition in accordance with law.

SECTION 10. STRICT ACCOUNTABILITY:

The City Finance Department shall be strictly accountable for receipts and disbursements relating hereto and shall make all relevant financial records available to EDD and the New Mexico State Auditor quarterly or upon request, and shall maintain all such records for a period of six (6) years following completion of all the records and any audits.

SECTION 11. REPORTS:

The City shall submit to the EDD the biannual employment report in the form of an affidavit signed by an officer of Second Street, which Second Street is required to submit biannually to the City. The City Economic Development Division shall submit to the EDD the biannual reports that Second Street is required to submit to the City, including copies of Form ES-903, filed by Second Street with the New Mexico Department of Workforce Solutions. The City Economic Development Division shall submit to the EDD a final report respecting direct and indirect job creation and retention attributable to the State appropriation on or before the termination of this Agreement. The Final Report shall contain a description of work accomplished, the methods and procedures used, a detailed budget breakdown of expenditures, a description of any problems or delays encountered and the reasons therefore, and such other information as may be requested by the EDD.

SECTION 12. NOTICES; REPRESENTATIVES OF THE PARTIES:

Any notice required to be given to a Party by this Agreement shall be in writing and shall be delivered in person, by courier service or by U.S. Mail, either first class or certified, return receipt requested, postage prepaid, as follows. The Parties hereby

designate the individuals named below as their representative responsible for overall administration of this Agreement.

If to the EDD:

Attn: Juan Torres
Financial Development Team Leader
Joseph Montoya Building
1100 St. Francis Drive
Santa Fe, New Mexico 87505
Juan.torres@state.nm.us

If to the City:

Attn: Alexandra Ladd
Interim-Director, Office of Economic
Development
500 Market Station, Suite 200
Santa Fe, NM 87504
agladd@santafenm.gov

SECTION 13. AMENDMENTS:

This Agreement shall not be altered, changed, or amended, except by instrument in writing executed by all of the Parties hereto.

SECTION 14. GOVERNING LAW:

This Agreement shall be governed by the laws of the State of New Mexico.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date of the last signature affixed below.

CITY OF SANTA FE:

Javier M. Gonzales, Mayor

ATTEST:

Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:

Kelley A. Brennan, City Attorney

Approved:

Adam Johnson, Finance Director

ECONOMIC DEVELOPMENT DEPARTMENT

By: _____

Matthew Geisel

Cabinet Secretary

Date: _____

By: _____

David Mathews

Its: General Counsel, certifying legal sufficiency

Attachment A

Second Street Brewery

Job Creation Schedule

Year	Jobs Retained From Prior Year**	New Production Jobs Created This Year**	Minimum Average Wage of New Production Jobs Created This Year* ❖
2017	60	0	\$0
2018	60	2	\$42,000
2019	62	2	\$63,000
2020	64	1	\$63,000
2021	65	0	** \$67,140
2022	65	0	** \$67,140
Total Jobs			

* All jobs figures are based on full-time equivalent employment, which equals a minimum of 32 hours per week per job; each job must be filled for a minimum 9 months out of each 12 months.

❖ Wages of jobs retained from prior years must equal to or exceed the wage requirements for those jobs as described herein.

** Average minimum wage for all new jobs created, not including additional benefits.

Attachment B
Second Street Brewery
Construction Schedule

<u>Estimated Target Date</u>	<u>Description</u>
July 15, 2017	Phase I: Building infrastructure – final phase of build out of brewery and electrical service and general plumbing and mechanical
July 15, 2017	Phase II: Building infrastructure – Final phase of construction and trim-out of outdoor seating areas.
July 20, 2017	Phase III: Final improvements to site for parking and access, and landscaping as per the city of Santa Fe requirements
July 30, 2017	Phase IV: Building and site infrastructure - Miscellaneous items to support function, safety and code compliance of entire site including warehouse, Malt transport and storage facilities, Brewhouse, QC laboratory, packaging and taproom.
August 15, 2017	Phase V: Building Infrastructure – build out of electrical service and mechanical to support installation of canning line, auto-depal unit, twist rinse, and air compressor.
July 31, 2018	Phase VI: Remaining building and infrastructure that is To Be Determined to support expansion needs.

EXECUTIVE SUMMARY

A REPORT OF THE ECONOMIC IMPACT OF SECOND STREET BREWERY RUFINA TAPROOM IN SANTA FE, NM

April 6, 2017

Prepared by:

Ndem Tazoh Tazifor

New Mexico Economic Development Department

Joseph Montoya Building

1100 S. St. Francis Drive

Santa Fe, New Mexico 87505



Prepared using Total Impact



PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model is a customized software program licensed to the New Mexico Economic Development Department. The model includes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in New Mexico Economic Development Department's Total Impact User Guide.

The analysis relies on prospective estimates of business activity that may not be realized. New Mexico Economic Development Department made reasonable efforts to ensure that the project-specific data entered into the Total Impact model reflects realistic estimates of future activity.

No warranty or representation is made by New Mexico Economic Development Department or Impact DataSource that any of the estimates or results contained in this study will actually be achieved.



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Introduction

This report presents the results of an economic impact analysis performed using Total Impact, a model developed by Impact DataSource. The report estimates the impact that a potential project in the Santa Fe may have on the state and local economy and estimates the costs and benefits for the state and local taxing districts over a 10-year period.

Description of the Project

The Rufina Brewery and Taproom will be Second Street Brewery's third location in Santa Fe. This location will occupy a 20,000 sq. ft. building that will house a production brewing system, packaging operation for both 120z. Cans and kegs to support wholesale draft trade, and a 4,000sq. ft. taproom with full food service. The expansion constitutes an approximately eight fold, expansion of our beer production abilities from 1,800 bbls/ yr. with scalability beyond that if necessary. Packang of our product line will allow us to make the entire state of New Mexico our market area. Distribution into neighboring states will also be possible. The taproom while providing high margin retail sales on-premise will serve to support building of the brand as well as provide a community hub in the developing Rufina St. area.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing company in the Santa Fe. The existing operations currently support 60.0 direct jobs in the community and 35.6 indirect and induced jobs. The direct workers earn \$1,669,400 per year and the company supports \$49.3 million per year in taxable sales and spending in the community. Additionally, the company supports taxable property valued at \$2.5 million annually. The table below illustrates the company's economic impact over the next 10 years - including both the existing and expanded operations.

Table 1. Economic Impact of Existing and Expanded Operations Over the Next 10 Years

	Existing Operations	Expansion	Existing & Expanded Ops
Economic Output:			
Direct	\$138,012,517	\$102,504,350	\$240,516,867
Indirect & Induced	\$57,150,983	\$42,447,052	\$99,598,035
Total	\$195,163,500	\$144,951,402	\$340,114,902
Jobs			
Direct	60.0	51.0	111.0
Indirect & Induced	35.6	30.3	65.9
Total	95.6	81.3	176.9
Salaries			
Direct	\$1,096,767,855	\$13,484,760	\$1,110,252,615
Indirect & Induced	\$882,240,064	\$10,847,141	\$893,087,205
Total	\$1,979,007,919	\$24,331,901	\$2,003,339,820
Taxable Sales			
Direct	\$276,143,578	\$61,524,252	\$337,667,829
Indirect & Induced	\$216,867,555	\$2,666,386	\$219,533,941
Total	\$493,011,132	\$64,190,638	\$557,201,770

SECOND STREET BREWERY RUFINA TAPROOM | ECONOMIC IMPACT

The table below illustrates the company's fiscal impact - the net benefits for local taxing districts - over the next 10 years - including both the existing and expanded operations.

Table 2. Fiscal Impact of Existing and Expanded Operations Over the Next 10 Years

	Net Benefits		
	Existing Operations	Expansion	Existing & Expanded Ops
State of New Mexico	\$234,707,838	\$3,924,597	\$238,632,434
Santa Fe	\$12,437,516	\$3,712,234	\$16,149,750
Santa Fe County	\$5,337,405	\$1,206,263	\$6,543,668
Santa Fe Public Schools	\$44,835	\$185,196	\$230,031
Special Taxing Districts	\$20,198	\$27,349	\$47,547
Total	\$252,547,791	\$9,055,639	\$261,603,430

The remainder of this report will focus on only the economic and fiscal impact associated with the expanded operations.

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the state. The 51.0 workers directly employed by the Project will earn approximately \$26,000 per year initially. This direct activity will support 30.3 indirect and induced workers in the state earning \$35,000 on average. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately \$24.3 million over the next 10 years.

Accounting for various taxable sales and purchases, including activity associated with the Project, worker spending, and visitors' spending in the state, the Project is estimated to support approximately \$64.2 million in taxable sales over the next 10 years.

Table 3. Economic Impact Over the Next 10 Years Statewide

	Direct	Indirect & Induced	Total
Economic output generated by direct, indirect, and induced activity	\$102,504,350	\$42,447,052	\$144,951,402
Number of permanent direct, indirect, and induced jobs to be created	51.0	30.3	81.3
Salaries to be paid to direct, indirect, and induced workers	\$13,484,760	\$10,847,141	\$24,331,901
Taxable sales and purchases	\$61,524,252	\$2,666,386	\$64,190,638

SECOND STREET BREWERY RUFINA TAPROOM | ECONOMIC IMPACT

The project is not expected to result in a consequential increase in the state's population. A majority of newly hired employees would likely be current New Mexico residents. However, it is estimated that approximately 20.0% of the new direct workers may be new residents to Santa Fe County. The local population impacts may result in new residential properties constructed in the county and increase the enrollment of local public schools.

Table 4. Population Impacts Over the Next 10 Years for the County

	Direct	Indirect & Induced	Total
Number of direct, indirect, and induced workers who will move to the County	10.2	3.3	13.5
Number of new residents in the County	26.5	8.7	35.2
Number of new residential properties to be built in the County	1.1	0.3	1.4
Number of new students expected to attend local school district	5.4	1.7	7.1

The Project is estimated to support an average of approximately \$0.6 million in new non-residential taxable property each year over the next 10 years. The taxable value of property supported by the Project over the 10-year period is shown in the following table.

Table 5. Value of Taxable Property Supported by the Project Over the Next 10 Years

Year	New Residential Property	The Project's Property				Total Residential & Nonresidential Property
		Land	Buildings & Other Real Prop. Improvements	Furniture, Fixtures, & Equipment	Subtotal Nonresidential Property	
1	\$63,630	\$0	\$331,993	\$271,631	\$603,624	\$667,254
2	\$74,174	\$0	\$346,967	\$267,801	\$614,767	\$688,942
3	\$85,115	\$0	\$372,239	\$241,638	\$613,877	\$698,992
4	\$86,817	\$0	\$383,017	\$236,808	\$619,825	\$706,643
5	\$88,554	\$0	\$395,678	\$216,145	\$611,823	\$700,377
6	\$90,325	\$0	\$406,925	\$209,315	\$616,240	\$706,565
7	\$92,131	\$0	\$418,396	\$176,486	\$594,882	\$687,013
8	\$93,974	\$0	\$430,098	\$168,323	\$598,420	\$692,394
9	\$95,853	\$0	\$442,033	\$132,326	\$574,359	\$670,213
10	\$97,771	\$0	\$454,207	\$123,159	\$577,366	\$675,137

The taxable value of residential property represents the value of properties that may be constructed as a result of new workers moving to the community.

This analysis assumes the residential real property appreciation rate to be 2.0% per year. The Project's real property is assumed to appreciate at a rate of 2.0% per year. The analysis assumes the Project's furniture, fixtures, and equipment will depreciate over time according to the depreciation schedule shown in Appendix A.

Temporary Construction Impact

The Project will include an initial period of construction lasting 10 year(s) where \$1.2 million will be spent to construct new building and other real property improvements. It is assumed that 50.0% of the construction expenditure will be spent on materials and 50.0% on labor. The temporary construction activity will support temporary economic impacts in the community in the form of temporary construction employment and sales for local construction firms.

Table 5. Spending and Estimated Direct Employment Impact of Project-Related Construction Activity

	Amount
Total construction expenditure	\$1,150,980
Materials	\$575,490
Labor	\$575,490
Temporary Construction Workers Supported (Average Earnings = \$44,250)	13

The following table presents the temporary economic impacts resulting from the construction.

Table 6. Temporary Economic Impact of Project-Related Construction Activity

	Direct	Indirect & Induced	Total
Number of temporary direct, indirect, and induced job years to be supported*	13.0	8.0	21.0
Salaries to be paid to direct, indirect, and induced workers	\$575,490	\$267,891	\$843,381
Revenues or sales for businesses related to construction	\$1,150,980	\$865,997	\$2,016,977

* A job year is defined as full employment for one person for 2080 hours in a 12-month span.

Gross receipt tax calculations related to construction activity are presented in the following table. The gross receipts tax revenue generated from construction-period taxable spending is included in the fiscal impact for affected districts.

Table 7. Construction-Related Taxable Spending

	Estimate
Expenditure for Materials	\$575,490
Percent of Materials subject to local gross receipts tax	75.0%
Subtotal Taxable Materials	\$431,618
Expenditure for Labor / Paid to construction workers	\$575,490
Percent of gross earnings spent on taxable goods and services	26.0%
Percent of taxable spending done locally	25.0%
Subtotal Taxable Construction Worker Spending	\$37,407
Expenditure for Furniture, Fixtures, & Equipment (FF&E)	\$1,199,892
Percent of FF&E subject to local gross receipts tax	25.0%
Subtotal Taxable FF&E Purchases	\$299,973
Total Construction-Related Taxable Spending	\$768,997

The above construction analysis focuses on the impact resulting from the Project's initial construction investments over the first 10 year(s).

Fiscal Impact Overview

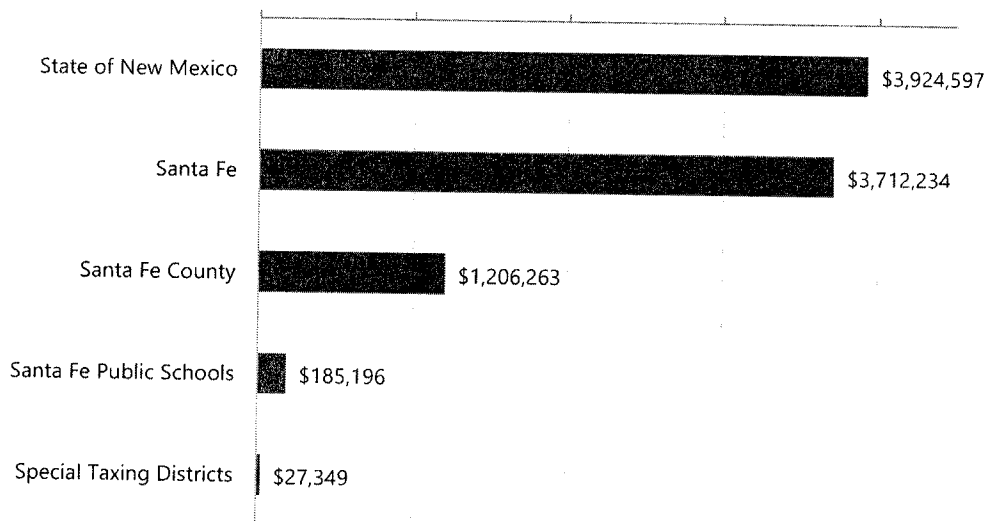
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$3,712,200 in net benefits over the 10-year period and the Project will generate \$9,055,600 in total for all local taxing districts.

Table 8. Fiscal Net Benefits Over the Next 10 Years for the State and Local Taxing Districts

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	\$5,273,181	(\$1,348,584)	\$3,924,597	\$2,920,355
Santa Fe	\$4,227,328	(\$515,094)	\$3,712,234	\$2,746,208
Santa Fe County	\$1,293,445	(\$87,182)	\$1,206,263	\$894,698
Santa Fe Public Schools	\$355,173	(\$169,977)	\$185,196	\$139,959
Special Taxing Districts	\$27,349	\$0	\$27,349	\$21,128
Total	\$11,176,476	(\$2,120,837)	\$9,055,639	\$6,722,348

* The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

Figure 1. Net Benefits Over the Next 10 Years for the State and Local Taxing Districts



State of New Mexico

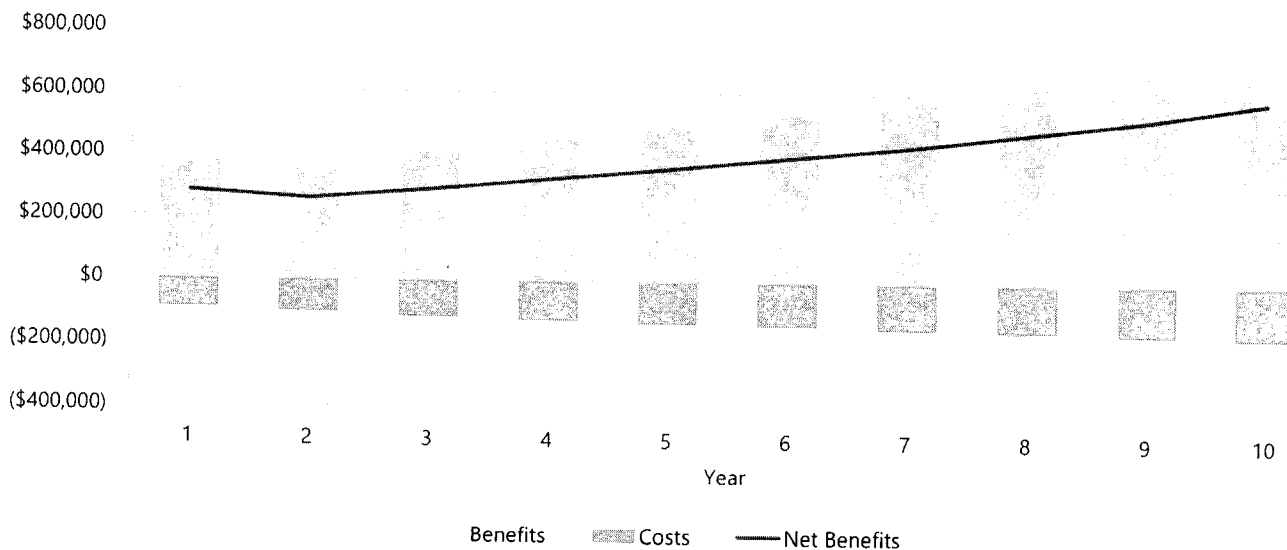
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the state. Appendix C contains the year-by-year calculations.

Table 9. State of New Mexico: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$2,503,435
Real Property Taxes - Project	\$5,415
FF&E Property Taxes - Project	\$2,779
Property Taxes - New Residential	\$1,181
Personal Income Taxes	\$866,216
Corporate Income Taxes	\$92,060
Miscellaneous Taxes & User Fees	\$1,802,094
Subtotal Benefits	\$5,273,181
Cost of Providing State Services	(\$1,348,584)
Subtotal Costs	(\$1,348,584)
Net Benefits	\$3,924,597
<i>Present Value (5% discount rate)</i>	<i>\$2,920,355</i>

Gross receipts taxes are estimated on new taxable gross receipts resulting from the project. Property taxes are estimated on the firm's property and new residential property constructed. Personal income taxes are estimated based on an effective income tax rate and the earnings of new direct and indirect workers. Corporate income taxes on the direct activity is based on the net taxable income projected by the company. Corporate income taxes on the indirect activity is estimated on a per indirect worker basis and the observed statewide corporate income tax collections per worker. To the extent that the project will result in an increase in new households in the state, additional miscellaneous taxes and user fees have been estimated for the state. Additionally, the costs to provide state services to these new households were also estimated based on recent state expenditure data as detailed in the Appendix.

Figure 2. Annual Fiscal Net Benefits for the State of New Mexico



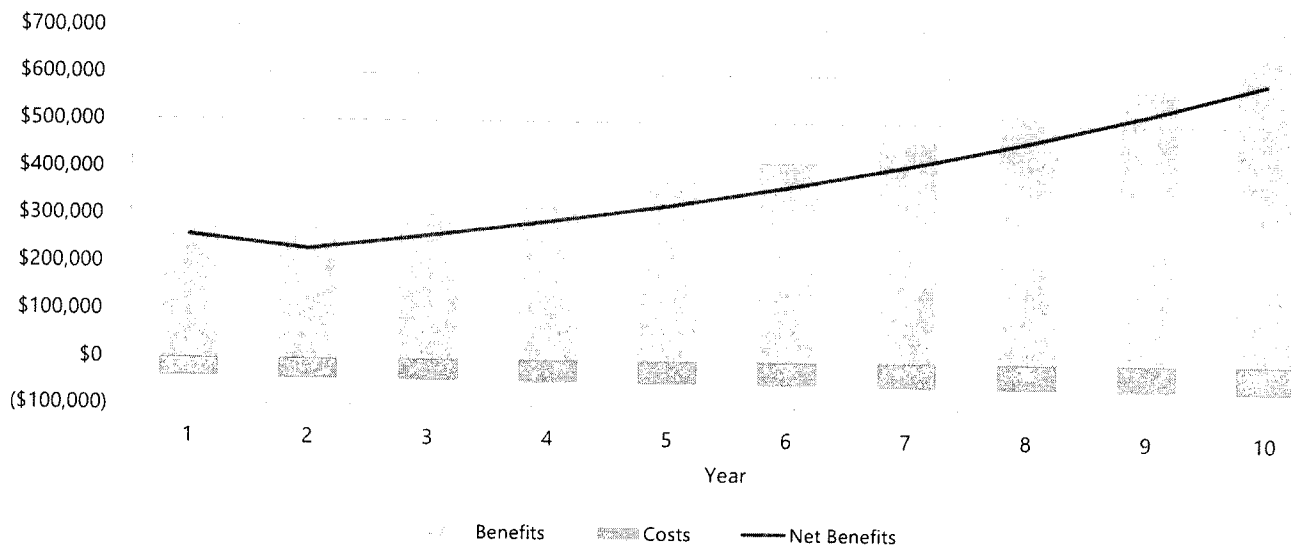
Santa Fe

The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 10. Santa Fe: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$2,666,357
Real Property Taxes - Project	\$14,947
FF&E Property Taxes - Project	\$7,672
Property Taxes - New Residential	\$2,060
Utility Revenue	\$351,955
Utility Franchise Fees	\$22,143
Building Permits and Fees	\$27,000
Lodgers Taxes	\$1,038,698
Miscellaneous Taxes & User Fees	\$96,497
Subtotal Benefits	\$4,227,328
Cost of Providing Municipal Services	(\$152,580)
Cost of Providing Utility Services	(\$362,514)
Subtotal Costs	(\$515,094)
Net Benefits	\$3,712,234
<i>Present Value (5% discount rate)</i>	<i>\$2,746,208</i>

Figure 3. Annual Fiscal Net Benefits for the Santa Fe



Santa Fe County

The table below displays the estimated additional benefits, costs, and net benefits to be received by the County over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 11. Santa Fe County: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$1,133,013
Real Property Taxes - Project	\$54,786
FF&E Property Taxes - Project	\$28,120
Property Taxes - New Residential	\$9,744
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$67,782
Subtotal Benefits	\$1,293,445
Cost of Providing County Services	(\$87,182)
Subtotal Costs	(\$87,182)
Net Benefits	\$1,206,263
<i>Present Value (5% discount rate)</i>	<i>\$894,698</i>

Santa Fe Public Schools

The table below displays the estimated additional benefits, costs, and net benefits to be received by the school district over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 12. Santa Fe Public Schools: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	\$35,308
FF&E Property Taxes - Project	\$18,123
Property Taxes - New Residential	\$7,443
State Equalization Guarantee	\$294,298
Subtotal Benefits	\$355,173
Cost of Educating New Students	(\$169,977)
Subtotal Costs	(\$169,977)
Net Benefits	\$185,196
<i>Present Value (5% discount rate)</i>	<i>\$139,959</i>

Benefits for Other Taxing Districts

The table below displays the estimated additional property taxes to be received by other property taxing districts over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 13. Other Taxing Districts: Benefits Over the Next 10 Years

	Amount
Real Property Taxes - Project	\$15,906
FF&E Property Taxes - Project	\$8,164
Property Taxes - New Residential	\$3,279
Benefits	\$27,349
<i>Present Value (5% discount rate)</i>	<i>\$21,128</i>

Overview of Methodology

This report presents the results of an analysis undertaken by the New Mexico Economic Development Department using Total Impact, an economic and fiscal impact analysis tool developed and supported by the Austin, TX based economic consulting firm, Impact DataSource.

The Total Impact model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

Multiplier		City	County	State
Employment Multiplier	(Type II Direct Effect)	1.2380	1.3174	1.5927
Earnings Multiplier	(Type II Direct Effect)	1.3231	1.4308	1.8044

Calculation of Fiscal Impact

Calculation of Revenues for the State

The state's revenues from gross receipts taxes, property taxes, personal and corporate income taxes were estimated directly using data entered about the project and state tax rates and assumptions about workers moving to the area and possibly building new property.

Impact DataSource estimated the miscellaneous taxes and user fees as a function of statewide personal income. The data used to estimate these factors were obtained from the US Census of Governments and the Bureau of Economic Analysis. Next, these percentages were applied to the total increase in workers' earnings from the economic impact calculations to determine the annual miscellaneous taxes and user fees to be collected by the state related to the permanent increase in economic activity supported by the project.

The fiscal costs associated with the project result from the portion of new worker households that relocate to New Mexico to take a job and the resulting costs to provide state services to these new residents. Impact DataSource estimated the cost of providing state services to new worker households moving to the state by applying the average per household cost of state expenditures to the estimated number of new workers new to the state.

Impact DataSource determined the marginal cost to provide state government services on per household in the state by using approximately 40% of the average cost. The data used to estimate these costs were obtained from the US Census of Governments and US Census. On average, the state incurs \$5,000 in costs to provide these services to households.

Calculation of Revenues for the City

The city's revenues from gross receipts taxes, property taxes, city-owned utilities, utility franchise fees, lodging taxes, and building permits and fees were estimated directly using data entered about the project and local tax rates and assumptions about workers moving to the area and possibly building new property.

The new firm was not asked for nor could reasonably provide some data for calculating some other revenues for the city. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers at the firm, the firm may not reasonably know the propensity of its workers to speed. Therefore, some other city revenues were calculated using an average revenue approach. This approach uses two assumptions:

- 1 - The city has two general revenue sources -- revenues from residents and revenues from businesses.
- 2 - The city will collect (a) about the same amount of other revenues from each household of new workers that may move to the city as it currently collects from an average household of existing residents, and (b) about the same amount of other revenues from the new firm (on a per worker basis) will be collected as the city collects from other businesses in the city.

Using this average revenue approach, revenues likely to be received by the city were calculated from the households of new workers who may move to the city and from the new firm using average city revenues per household and per worker calculations. These revenues are labeled as miscellaneous taxes and user fees.

The total annual city revenues used to make average revenue calculations in this analysis were obtained from the city's latest annual budget and the per household and per worker and calculations are detailed in Appendix A.

Calculation of Costs for the City

This analysis sought to answer the question, what additional monies will the city have to spend to provide services to households of new workers who may move to the city and to the firm. A marginal cost approach was used to calculate additional city costs from the new firm and its workers.

This approach uses two assumptions:

- 1 - The city spends money on services for two general groups -- residents and businesses.
- 2 - The city will spend (a) about the same amount for variable or marginal cost for each household of new workers that may move to the city as it currently spends for an average household of existing residents, and (b) about the same amount for variable or marginal costs for the new firm (on a per worker basis) as it spends for other businesses in the city.

Calculation of Net Benefits for the City

Net benefits calculated in this analysis are the difference between additional city revenues over a ten-year period and additional city costs to provide services to the new firm and its workers and indirect workers who may move to the city.

Calculation of Revenues, Costs and Net Benefits for the County

The model estimates additional revenues, costs and net benefits for the county using the same methodology described for the city relying on county budget data.

Calculation of Revenues for Public Schools

The school district's revenues from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

However, school district revenues from state and federal funds and other local funding were calculated using an average revenue approach. This approach used the assumption that the school district will collect about the same amount of these revenues for each new student in the household of a new worker who may move to the county as it currently collects for each existing student.

Calculation of Costs for Public Schools

A marginal cost approach was used to calculate additional school district costs from the new firm and its workers. This approach uses the assumption that the school district will spend about the same amount for variable or marginal cost for each new student as it spends for each existing student.

Calculation of Net Benefits for Public Schools

Net benefits calculated in this analysis are the difference between additional school district revenues over a ten-year period and marginal costs for the school district to provide services to students in the households of new workers who may move to the county.

The school district's total annual revenues and expenses to make average revenue and marginal costs calculations in this analysis were obtained from the school district's latest annual budget.

Calculation of Property Taxes to be Collected by Countywide Special Taxing Districts

Revenues for countywide special taxing districts from property taxes were calculated on the new residential property for some new direct and indirect workers who may move to the county and on the firm's property that will be added to local tax rolls.

While each of these special taxing districts may incur additional costs from new residents and from the new firm, these additional costs were not calculated in this analysis.

About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in New Mexico and more than 30 other states.

In addition, Impact DataSource has prepared and customized more than 50 economic impact models for its clients to perform their own analyses of economic development projects. These clients include the Frisco EDC in Texas and the Metro Orlando (Florida) Economic Development Commission.