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CITY OF SANTA FE, NEW MEXICO

BILL NO. 2020-12

INTRODUCED BY:

Mayor Alan Webber

Councilor Jamie Cassutt-Sanchez

AN ORDINANCE

**RELATING TO THE CITY OF SANTA FE ECONOMIC DEVELOPMENT PLAN
ORDINANCE, ARTICLE 11-11 SFCC 1987; APPROVING AND ADOPTING A LOCAL
ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT BETWEEN
THE CITY OF SANTA FE AND DESCARTES LABS, INC. FOR AN ECONOMIC
DEVELOPMENT LOAN PROJECT FOR LEASE PAYMENTS TO PROVIDE ASSISTANCE
FOR THE NEGATIVE FINANCIAL IMPACTS OF COVID-19.**

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

Section 1. Short Title. This Ordinance shall be known as the "COVID-19 Descartes
Local Economic Development Loan Project Ordinance."

Section 2. Recitals.

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

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

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

4 C. Descartes, Labs, Inc. ("Qualifying Entity") is a software development facility that
5 serves the public by stimulating and catalyzing the growth of a high-technology industry cluster in
6 Santa Fe under the Economic Development Ordinance. The Qualifying Entity creates economic base
7 jobs as a software development facility by creating software that for cloud-based super-computing
8 platforms that predicts changes in natural resources to better understand the planet.

9 D. The State of New Mexico has appropriated seven hundred and fifty thousand dollars
10 (\$750,000.00) from the New Mexico LEDA Fund to loan to the Qualifying Entity for its facility lease
11 payments during a two year period to assist it with the negative financial impacts of COVID-19. The
12 Qualifying Entity's facility is located at 100 North Guadalupe Street in Santa Fe, New Mexico. This
13 project defined as the "Project" is the world headquarters, which will expand the tax base and generate
14 more taxes, fees, and other revenues for the State of New Mexico and City of Santa Fe.

15 E. The facility will be used to develop software, which is an activity that falls under the
16 definition of a "manufacturer" under LEDA.

17 F. As of December 31, 2019, Descartes Labs employed seventy-five (75) people with an
18 average annual salary of over one hundred and twenty thousand dollars (\$120,000.00), which was
19 compliant with PPA 2018-0057 approved on January 10, 2018, by the city council. Descartes Labs
20 was on track to earn its bonus monies of ten thousand dollars (\$10,000) per job by employing hiring
21 twenty (20) people.

22 G. Since January 31, 2019, the COVID-19 pandemic forced Descartes Labs to lay off
23 twelve (12) employees for a current employee base of fifty-six (56) people. The pandemic has delayed
24 its growth plans by two (2) years.

25 H. The project participation loan agreement will be approved to loan Descartes Labs, Inc.,

1 seven hundred and fifty thousand dollars (\$750,000.00) for two (2) years. The loan will be for
2 maintaining its employee base of fifty-six (56) people with a minimum annual payroll of seven
3 million five hundred and sixty thousand dollars (\$7,560,000.00).

4 **Section 3. Findings.** The Governing Body hereby finds:

5 A. The City of Santa Fe has determined that it is in the interest of the welfare of the
6 citizens of Santa Fe to enter into an Economic Development Project Participation Loan Agreement for
7 the purposes of effectuating the City's Economic Development Plan and the Project.

8 B. In compliance with the City's Economic Development Fund Ordinance, 11-14 SFCC
9 (1987), this Project Participation Agreement between Qualifying Entity and the City clearly states the
10 following:

- 11 (1) Descartes Labs, Inc. is a qualifying entity;
- 12 (2) The contributions of the City and Qualifying Entity;
- 13 (3) The specific measurable objectives upon which the performance review will
14 be based;
- 15 (4) A schedule for Project development and goal attainment;
- 16 (5) The security being offered for the City's investment;
- 17 (6) The procedures by which the Project may be terminated and the City's
18 investment recovered;
- 19 (7) The time period for which the City shall retain an interest in the Project;
- 20 (8) The economic development goals of the project; and
- 21 (9) A "sunset" clause after which the City shall relinquish interest in and oversight
22 of the project.

23 **Section 4. Approval and Adoption of the Project Participation Agreement.** The
24 Governing Body hereby approves the 2020 PPLA (attached as Exhibit A) whereby the City will
25 continue to be the Fiscal Agent for the Qualifying Entity, and provide the new loan money provided

1 by the State Legislative appropriation of seven hundred and fifty thousand dollars (\$750,000.00) in
2 State Funds. The City will loan the State Legislative appropriation of seven hundred and fifty thousand
3 dollars (\$750,000.00) to the Qualifying Entity and the funds will be used for lease payments. In return,
4 the Qualifying Entity will retain the current fifty-six (56) jobs, maintain the current annual payroll of
5 seven million five hundred and sixty thousand dollars (\$7,560,000.00), and continue to expand
6 tax the base and generate taxes, fees, and other revenues for the State of New Mexico and City of Santa
7 Fe.

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

13 **Section 6. Effective Date.** This ordinance shall become effective immediately upon
14 adoption.

15 PASSED, APPROVED, and ADOPTED this _____ day of _____, 2020.

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18 _____
19 ALAN WEBBER, MAYOR

20 ATTEST:

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22 _____
23 YOLANDA Y. VIGIL, CITY CLERK
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APPROVED AS TO FORM:

ERIN K. McSHERRY, CITY ATTORNEY

Legislation/2020/Bills/2020-12 Descartes Labs LEDA PPLA

**CITY OF SANTA FE
ECONOMIC DEVELOPMENT
PROJECT PARTICIPATION LOAN AGREEMENT**

THIS LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN AGREEMENT (the "Agreement") is entered into as of the _____ of _____ 2020, by and between the City of Santa Fe (the "City"), a political subdivision of the State of New Mexico (the "State"), and Descartes Labs, Inc. (the "Qualifying Entity" or "Q/E").

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

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, Descartes Labs, Inc. is a "qualifying entity" under LEDA and the Economic Development Ordinance in that it is a software developer which is a "manufacturer" in a primary industry that creates economic base jobs which exports fifty percent (50%) or more of their services or goods outside of New Mexico (§ 11-11.4 (A) SFCC (1987));" (NMSA 1978, § 5-10-3 (J));

WHEREAS, the City will receive an appropriation of funds (the "Appropriation") allocated from the State to disburse as funds to the benefit of the "Qualifying Entity";

WHEREAS, the City will act as fiscal agent for the State's appropriation administering the Project (the State's "contribution") and will use the funds appropriated by the State, pursuant to §5-10-3 of LEDA, to convey the funds to the Qualifying Entity, for a two year long lease abatement.

WHEREAS, all requirements under the City's 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)) for the City to act as fiscal agent for the loan monies ("Loan Monies") loan 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 Loan Monies for lease payments necessary to

operate the business, which are needed due to the Covid 19 pandemic, for the Q/E to afford its facility (the "Project") located at 100 North Guadalupe, Santa Fe, New Mexico, 87501;

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 b y combating the impacts of COVID 19 on its economic base;

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

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

A. **Contributions of the State.** The State of New Mexico Economic Development Department agreed to loan to the Q/E the sum of Seven Hundred Fift y Thousand dollars and No Cents (\$750,000.00) for a period not to exceed two years from the date hereof to be used for a two year lease abatement. Said loan shall be without interest, provided the terms of Section C are met, and will be repaid in whole at the end of this two (2) ye ar agreement.

B. **Contributions of the City.** This Agreement governs the City's contribution to the Project. The City will serve as fiscal agent pursuant to the Intergovernmental Agreement between the City and State, which is in substantial form as Attachment "B", the terms of which are incorporated into this Agreement. The City shall reimburse the Q/E in the amount of up to Seven Hundred Fift y Thousand Dollars and No Cents (\$750,000.00) in State monies for lease payments. The State monies will be available for reimbursement as identified in Attachment A.

(1) **Disbursement of Monies:** Dispersal of the NM LEDA Funds b y the State and the City's economic development funds are contingent upon the following:

(a) The City and the New Mexico Economic Development Department shall execute an intergovernmental agreement for the State to loan up to \$750,000.00 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, proof of payment, proof that mortgage is current and supporting documentation necessary for

quarterly reimbursement. Disbursement shall be made on a reimbursement basis of eligible costs under the LEDA which include lease payments; and

(c) Disbursement(s) of the monies shall occur starting with the execution of all documentation, securitization is provided and approved and money is transferred to the city. Reimbursements will continue quarterly until all funds are disbursed.

(2) It is expressly understood that any costs eligible for reimbursement are retroactive to April 1, 2020, to assist with the negative financial impacts of Covid 19 on Q/E.

C. Contributions of the Q/E. The Q/E agrees for its contribution to this economic development project to maintain 56 positions and a minimum of \$630,000 in monthly payroll.

(1) If payroll falls below 90% of the payroll in Paragraph 1.C, the loan interest will escalate to 3% interest from the date of execution.

(2) If payroll falls below 80% of the payroll in Paragraph 1.C, interest on the loan will be 6% from the date of execution.

(3) If payroll falls below 70% of the payroll in Paragraph 1.C, the loan will become immediately due and payable.

2. PERFORMANCE REVIEW AND CRITERIA – ECONOMIC DEVELOPMENT GOALS AND OBJECTIVES

A. Economic Development Objective. The objective is to create and support an economic development project that fosters, promotes and enhances the local economic development objectives identified in the Economic Development Strategy for Implementation dated May 21, 2008.

B. Economic Development Goals. The following Economic Development Goals shall be fulfilled by the Q/E:

(1) The economic goal is to sustain the Q/E during the COVID-19 crisis and by providing the Q/E with the liquidity to retain its current employment base without layoffs. The retention of jobs will sustain the economic base and contribute to its long-term economic growth.

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

B. Reports; Certifications; Review.

(1) Quarterly Reports. During the term of this Agreement, the Q/E shall provide to the Office of Economic Development staff quarterly reports in the months of January, April, July, and October of each year. The Q/E's quarterly reports shall clearly indicate how the Q/E has met the retention of jobs and the payroll identified in Paragraph 2.B. (see

Attachment D for recommended form) Quarterly reports shall be in the form of an affidavit signed by an officer of the Q/E. Quarterly reports shall include a copy of FORM ES-903a, or an equivalent document as required by the New Mexico Department of Workforce Solutions, provided by the Q/E to the City to demonstrate compliance with this Agreement at each review cycle. In the quarterly report, the Q/E shall include retained jobs, the average minimum annual salary of the retained jobs, and the total monthly payroll, and proof of lease payments for each quarter. The first quarterly report shall certify that the number of baseline jobs is 56 employees.

(2) Annual Reports. The City may require the Q/E to provide annual reports or a presentation 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 a report or presentation to the governing body or EDAC is required. City staff shall review these reports to ensure the Q/E's compliance with this Agreement in accordance with the Job Creation Commitment and Schedule.

(3) Certificate of Non-Interest. The Q/E shall certify to the City that to the Q/E's best information, knowledge and belief and after reasonable inquiry, 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.

3. RECAPTURE PROVISIONS FOR PUBLIC MONIES

A. If any Economic Development Goal set forth in Paragraph 2.B is not met and documented in a manner deemed satisfactory by the City, the Q/E shall be deemed in default ("Default") and within 60 days of the City receiving the quarterly report with the 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 disbursed in proportion to the Economic Development Goals not yet achieved.

B. 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.

C. In the event the Q/E ceases operations and closes its facility before the end of year three of this Agreement, the Q/E shall be deemed in Default and the Q/E shall reimburse 100% of all Grant Monies disbursed to the Q/E to the City of Santa Fe Economic Development Fund as identified in 11-14 SFCC (1987).

4. Q/E BUYOUT

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

B. To initiate the buyout, the Q/E must send prior written notice to the City of the Q/E's intent to repay in full the Loan 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 claw back 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.

C. 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 Loan Monies within 60 days after the City receives the repaid monies from the buyout.

5. SECURITY FOR CITY'S INVESTMENT; CLAWBACK

A. This is a loan project only, with the City acting as fiscal agent. The Q/E 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.

B. The Loan Monies should be secured in a manner that it 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.

C. The acceptable security for the faithful performance and payment of all the Q/E's obligations under this agreement, the Q/E shall furnish to the city a second lien of the fixed assets acceptable the City and the State. The fixed assets shall be maintained during the entire term of this agreement and shall be held in place until the loan is repaid in full.

D. Acceptance of a method of securitization and 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 two (2) years from the execution date of the Agreement, or until conditions of the Agreement are performed in full or to the reasonable 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 reasonably 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 reasonably determines that the economic development goals under this Agreement have been fulfilled, in which case the City will provide a closure letter 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 Loan Monies.

The Q/E may terminate the Agreement by pre-paying in full to the City and without penalty any Loan 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 Loan Monies in full within 45 days prior to the Q/E's intent to repay in full the Loan 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 the Q/E 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. Any purported assignment of rights is a violation of subsection (B) and 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 as a result of this agreement. 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 with respect to the Project, in a form and with an insurance company reasonably 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" with respect to such coverage 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 and keep in its possession throughout the term of this Agreement and for a period of six (6) years thereafter, all related records, including but not limited to, all financial records, payroll records and records of fixed assets 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 Loan Monies. These records shall be subject to inspection by the City, the New Mexico Economic Development Department, and the State Auditor upon notice within five business days. 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 by the City of its obligations under 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. 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.

19. AMENDMENT

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

20. 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.

21. REPRESENTATIONS AND WARRANTIES

A. The Q/E hereby warrants the Q/E is and will remain in compliance with the Americans with Disabilities Act of 1990 (the "ADA") and the regulations promulgated thereunder, 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 thereunder.

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.

22. 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.

23. 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.

24. 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.

25. 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: Director of Office of Economic Development
P.O. Box 909
Santa Fe, NM 87504

If to QUALIFYING ENTITY:
Attn: Chief Executive Officer
Descartes Labs, Inc.
100 North Guadalupe Street
Santa Fe, NM 87501

26. **HEADINGS**

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

27. **ATTACHMENTS**

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

28. **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.

29. **REPRESENTATION ON AUTHORITY OF SIGNATORIES**

The signatory for the Q/E represents and warrants that he or she is duly authorized and has 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:

Alan Webber, Mayor

ATTEST:

Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:

/s/ Andréa Salazar for

Erin K. McSherry, City Attorney

APPROVED:

Mary McCoy, Finance Director

2122800.510400

Munis Org Number

QUALIFYING ENTITY:

Descartes Labs, Inc.

Phil Fraher

CEO and President

By: _____

CRS Number: 03-326950-00

Business License Number: 147387

STATE OF NEW MEXICO)

) ss.

COUNTY OF SANTA FE)

Notarized Affidavit

The foregoing instrument was acknowledged before me on this ____ day of _____, 2020, by PHIL FRAHER, the Chief Executive Officer and President of Descartes Labs, Inc., a foreign profit corporation, on its behalf.

Notary Public

My commission expires:

Attachment A

Descartes Labs, Inc.

LEDA Disbursement Schedule

Date	Disbursement Amount	Disbursement Performance Milestone
July 30, 2020	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
October 30, 2020	\$93,750 (State)	Retain employees with a minimum total of 56 and minimum payroll of \$630,000 per month.
January 30, 2021	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
April 30, 2021	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
July 30, 2021	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
October 30, 2021	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
January 30, 2022	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month.
April 30, 2022	\$93,750 (State)	Retain employees with a minimum total Headcount of 56 and minimum payroll of \$630,000 per month and complete an end of project review.

Attachment B

**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 legislature of the State of New Mexico appropriated funds to NMEDD for economic development projects statewide 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..." Section 5-10-2(B); 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 Ordinances Nos. 2008-42 and 2018-4 amending the Economic Development Plan Ordinance; and

WHEREAS, the City has adopted Ordinance No. _____ ("Ordinance") to approve the economic development project ("Project") to assist Descartes Labs, Inc., a

Delaware corporation ("Descartes") within the City, with its costs associated with land, building, and infrastructure due to the Covid 19 pandemic.

WHEREAS, the City has entered into a Local Economic Development Project Loan Participation Agreement ("PPLA") with Descartes Labs, Inc. and, pursuant to the terms of that PPLA, Descartes Labs, Inc. will maintain an annual payroll of \$7,560,000 .00 in exchange for the public contribution pursuant to the terms of that PPLA. A copy of the PPLA and any amendments are attached hereto as **Exhibit B**; 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 Seven Hundred Fifty Thousand Dollars and No Cents (\$750,000.00) (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 State in distributing appropriations to support the Project. EDD will transfer an amount not to exceed Seven Hundred Fifty Thousand Dollars and No Cents (\$ 750,000.00) from the Appropriation to the City for expenditures made to implement the Project, pursuant to pursuant to Section 5-10-4(D) of LEDA. The City will quarterly review the Project timeline and progress until the two-year anniversary of this Agreement or until the City certifies to the EDD that the requisite Economic Development Goals have been completed to the City's satisfaction or that the EDD contribution of no greater than \$750,000.00 in funds have been reimbursed to EDD.

The EDD and the City of Santa Fe agree that failure of Descartes Labs, Inc. to make the required repayment will result in a violation of the terms and conditions of this Agreement. Such violation, after any cure period granted, will require that the City of Santa Fe 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 Descartes 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 the City. The City shall notify the EDD in writing of any default by Descartes Labs, Inc. within 30-60 days of the event of default, as defined in the PPA ("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; and
 - c. Submit all required and reasonably requested documentation to the EDD, including the endorsed LEDA Ordinance approved by the Santa Fe City Council accepting the Project for Descartes as a qualifying entity pursuant to LEDA and PPLA entered into by the City of Santa Fe and Descartes Labs, Inc. Such documentation shall include a fully executed copy of the Descartes Labs' security interest, and copies of invoices and other documentation as required by the EDD within the time required; and
 - d. 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
 - e. Monitor job retention and payroll maintenance required in the PPLA by Descartes Labs, Inc. and report the number of jobs retained each quarter to EDD for a period of two years after this Agreement has been fully executed. Quarterly reports shall include a copy of FORM ES-903 (or any form substituted therefore by the State) provided by Descartes Labs, Inc. to the City, on file with the New Mexico Department of Workforce Solutions.

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 documentation and references to expertise it has relied upon in approving this Project upon receipt thereof or reliance thereupon and copies of reports and documentation it receives from Descartes;
6. It has entered into a PPLA and has obtained all financial documentation necessary to protect the City's and the State's investments in this project;
7. 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;
8. It will notify the EDD of any Default within 60 days of an event of Default. Further, the City shall provide the opportunity for any Default to be cured

by Descartes Labs, Inc., in accordance with the PPLA prior to termination thereof;

9. 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 require Descartes to incorporate in all contracts or subcontracts a provision prohibiting such interest pursuant to this certification; and
10. 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 Seven Hundred Fifty Thousand Dollars and No Cents (\$750,000.00) from the Appropriation to the City for expenditures made to implement the Project;
2. Monitor the progress of the project;
3. The Parties shall create a Schedule listing all such time limits which shall then be appended to this Agreement and thereupon incorporated into this Agreement and made a part hereof by this reference as though set forth in full; and

4. 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 Descartes Labs, Inc. documents to the City's satisfaction that the required Economic and Development Goals, as defined in the PPLA, have been satisfied, or until the PPLA is otherwise terminated or expires, whichever occurs earlier.

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 and 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 quarterly employment report in the form of an affidavit signed by an officer of Descartes Labs, Inc., which Descartes Labs, Inc. is required to submit quarterly to the City. The City Office of Economic Development shall submit to the EDD the quarterly reports that Descartes Labs, Inc. is required to submit to the City, including copies of Form ES-903 (or any form substituted therefor by the State), filed by Descartes Labs, Inc. with the New Mexico Department of Workforce Solutions. The City Office of Economic Development 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
NM Economic Development
Department
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: Richard Brown
Director, Office of Economic
Development
500 Market Station, Suite 200
Santa Fe, New Mexico 87504
rdbrown@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:

Alan M. Webber, Mayor

ATTEST:

Yolanda Y. Vigil, City Clerk

APPROVED AS TO FORM:

/s/Andréa Salazar for
Erin K. McSherry, City Attorney

APPROVED:

Mary McCoy, Finance Director

NEW MEXICO ECONOMIC DEVELOPMENT DEPARTMENT

By: _____

Alicia J. Keyes, Cabinet Secretary

Date: _____

By: Jesika Ulibarri
Jesika Ulibarri

Its: General Counsel, certifying legal sufficiency

EXECUTIVE SUMMARY

A REPORT OF THE ECONOMIC IMPACT OF DESCARTES LABS IN SANTA FE, NM

May 20, 2020

Prepared by:
Ryan Eustice
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

Descartes Labs, Inc. is requesting an interest free loan of \$750,000 from the State of New Mexico's LEDA loan program designed to help New Mexico e-based businesses weather the uncertainty caused by the Covid-19 pandemic. The loan amount represents the contractual lease payments due over the next 24 months for locations in New Mexico.

The funds are intended to preserve jobs at DL's Santa Fe headquarters. The average salary of a Descartes employee including benefits and related costs is \$150,000. The requested loan proceeds on an annualized basis are \$399,500. This represents approximately 2.66 employees.

With regard to security for the loan, DL proposes that the State accept a second lien on the assets of the Company. Currently, DL's lender Silicon Valley Bank (SVB) holds a first lien on the assets of the Company. SVB has indicated that they are unwilling to release any assets from their security interest or offer a Pari Passu position to the State. The Company has no other assets to offer. Securitizing the loan with a fully collateralized LC like the Company's LEDA Grant defeats the purpose of the loan as the Company will not have access to the funds.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing company in the Santa Fe. The existing operations currently support 56.0 direct jobs in the community and 62.3 indirect and induced jobs. The direct workers earn \$135,000 per year and the company supports \$43.5 million per year in taxable sales and spending in the community. Additionally, the company supports taxable property valued at \$5.7 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	\$84,405,073	\$0	\$84,405,073
Indirect & Induced	\$70,663,927	\$0	\$70,663,927
Total	\$155,069,000	\$0	\$155,069,000
Jobs			
Direct	56.0	0.0	56.0
Indirect & Induced	62.3	0.0	62.3
Total	118.3	0.0	118.3
Salaries			
Direct	\$82,779,891	\$0	\$82,779,891
Indirect & Induced	\$40,032,354	\$0	\$40,032,354
Total	\$122,812,245	\$0	\$122,812,245
Taxable Sales			
Direct	\$426,738,632	\$0	\$426,738,632
Indirect & Induced	\$8,493,654	\$0	\$8,493,654
Total	\$435,232,286	\$0	\$435,232,286

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	\$27,746,864	\$0	\$27,746,864
Santa Fe	\$19,341,579	\$0	\$19,341,579
Santa Fe County	\$8,609,957	\$0	\$8,609,957
Santa Fe Public Schools	\$73,796	\$0	\$73,796
Special Taxing Districts	\$30,054	\$0	\$30,054
Total	\$55,802,249	\$0	\$55,802,249

The remainder of this report will reference the combined economic and fiscal impact of the existing and expanded operations.

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the state. The 56.0 workers directly employed by the Project will earn approximately \$135,000 per year initially. This direct activity will support 62.3 indirect and #DIV/0!

the Project is estimated to be approximately \$122.8 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 \$435.2 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	\$84,405,073	\$70,663,927	\$155,069,000
Number of permanent direct, indirect, and induced jobs to be created	56.0	62.3	118.3
Salaries to be paid to direct, indirect, and induced workers	\$82,779,891	\$40,032,354	\$122,812,245
Taxable sales and purchases	\$426,738,632	\$8,493,654	\$435,232,286

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 .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	0.0	0.0	0.0
Number of new residents in the County	0.0	0.0	0.0
Number of new residential properties to be built in the County	0.0	0.0	0.0
Number of new students expected to attend local school district	0.0	0.0	0.0

The Project is estimated to support an average of approximately \$0.8 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	The Project's Property					Total
	New Residential Property	Land	Buildings & Other Real Prop. Improvements	Furniture, Fixtures, & Equipment	Subtotal Nonresidential Property	Residential & Nonresidential Property
1	\$0	\$304,180	\$0	\$775,428	\$1,079,608	\$1,079,608
2	\$0	\$307,222	\$0	\$697,885	\$1,005,107	\$1,005,107
3	\$0	\$310,294	\$0	\$620,342	\$930,636	\$930,636
4	\$0	\$313,397	\$0	\$542,800	\$856,197	\$856,197
5	\$0	\$316,531	\$0	\$465,257	\$781,788	\$781,788
6	\$0	\$319,696	\$0	\$387,714	\$707,410	\$707,410
7	\$0	\$322,893	\$0	\$310,171	\$633,064	\$633,064
8	\$0	\$326,122	\$0	\$232,628	\$558,751	\$558,751
9	\$0	\$329,383	\$0	\$155,086	\$484,469	\$484,469
10	\$0	\$332,677	\$0	\$155,086	\$487,763	\$487,763

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 3.0% per year. The Project's real property is assumed to appreciate at a rate of 3.0% 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.

Fiscal Impact Overview

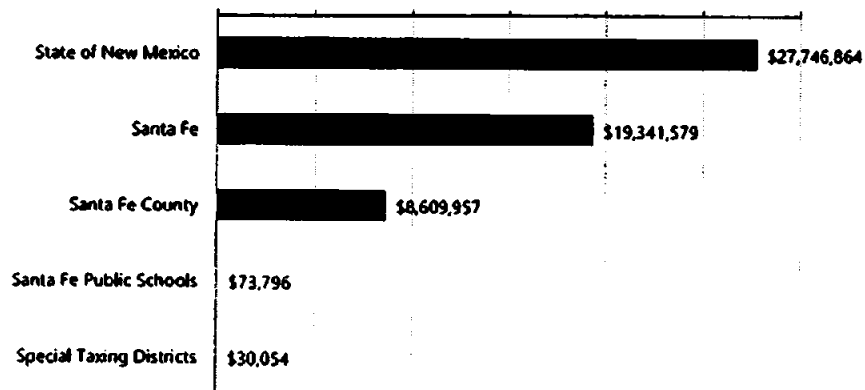
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$19,341,600 in net benefits over the 10-year period and the Project will generate \$55,802,200 in total for all local taxing districts.

Table 5. 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	\$29,507,862	(\$1,760,998)	\$27,746,864	\$19,508,007
Santa Fe	\$19,387,996	(\$46,417)	\$19,341,579	\$13,599,107
Santa Fe County	\$8,609,957	\$0	\$8,609,957	\$6,057,670
Santa Fe Public Schools	\$73,796	\$0	\$73,796	\$55,064
Special Taxing Districts	\$30,054	\$0	\$30,054	\$0
Total	\$57,609,664	(\$1,807,415)	\$55,802,249	\$39,242,273

* 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 6.75% 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

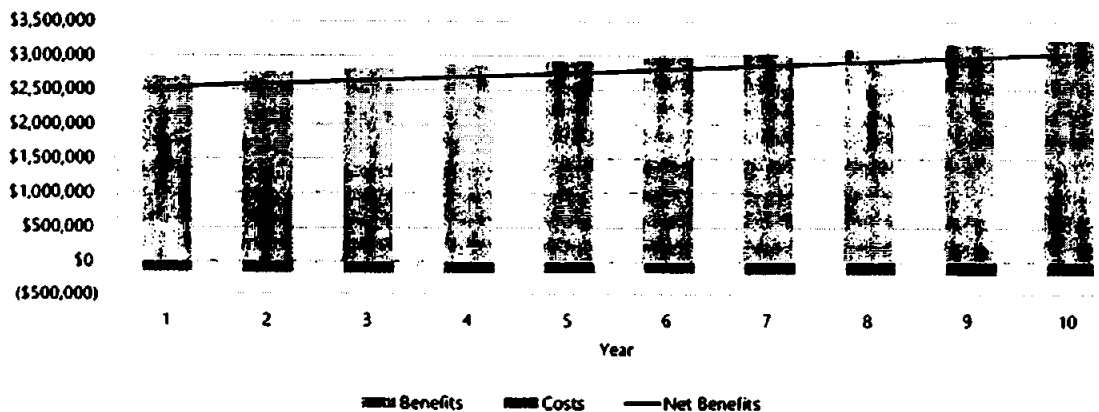
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the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

Table 6. State of New Mexico: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$16,974,059
Real Property Taxes - Project	\$4,328
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Personal Income Taxes	\$4,298,429
Corporate Income Taxes	\$117,323
Miscellaneous Taxes & User Fees	\$8,107,817
Subtotal Benefits	\$29,507,862
Cost of Providing State Services	(\$1,760,998)
Subtotal Costs	(\$1,760,998)
Net Benefits	\$27,746,864
Present Value (6.75% discount rate)	\$19,508,007

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



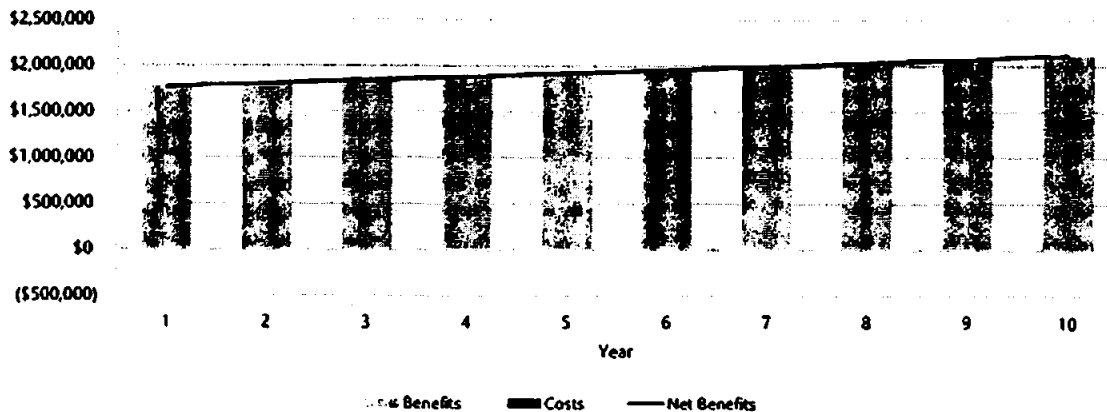
Santa Fe

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

	Amount
Gross Receipts Taxes	\$19,295,294
Real Property Taxes - Project	\$11,985
FF&E Property Taxes - Project	\$16,353
Property Taxes - New Residential	\$0
Utility Revenue	\$45,065
Utility Franchise Fees	\$19,298
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	\$19,387,996
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$46,417)
Subtotal Costs	(\$46,417)
Net Benefits	\$19,341,579
Present Value (6.75% discount rate)	\$13,599,107

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

	Amount
Gross Receipts Taxes	\$0
Real Property Taxes - Project	\$0
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	\$0
Cost of Providing County Services	\$0
Subtotal Costs	\$0
Net Benefits	\$0
Present Value (6.75% discount rate)	\$0

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

	Amount
Real Property Taxes - Project	\$0
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
State Equalization Guarantee	\$0
Subtotal Benefits	\$0
Cost of Educating New Students	\$0
Subtotal Costs	\$0
Net Benefits	\$0
Present Value (6.75% discount rate)	\$0

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

	Amount
Real Property Taxes - Project	\$0
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Benefits	\$0
Present Value (6.75% discount rate)	\$0

State Incentives

The state is considering the following incentives for the Project.

Table 18. State Incentives Under Consideration

Year	State LEDA Loan
1	\$750,000
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$750,000

These financial incentives may be considered an investment in the Project made by the state. Four calculations analyzing possible investments were made:

1. Net Benefits - detailed above
2. Present Value of Net Benefits - detailed above
3. Rate of Return on Investment - discussed and detailed below
4. Payback Period - discussed and detailed below

The rate of return on investment calculates the average annual rate of return to the state, treating the incentives as the initial investment and the net benefits to the state as the return on investment. The payback period is the number of years that it will take the state to recover the cost of incentives from the additional revenues that it will receive as a result of the Project.

The table below shows an analysis of these incentives, including a calculation of incentives per job, rate of return, and payback period.

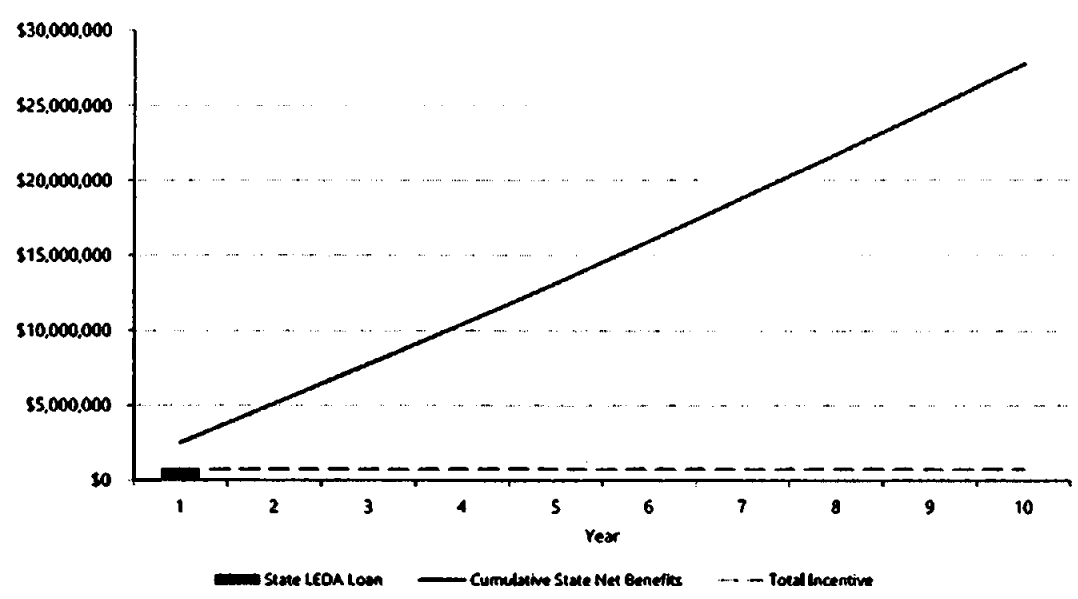
Table 19. Analysis of State Incentives

Total State Incentives	\$750,000
Incentives Per Job	N/A
Rate of Return	370.0%
Payback period (years)	0.3

Note: The Rate of Return and Payback Period are calculated based on the sum of annual incentives, not the present value of the incentives.

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to the State. The intersection indicates the length of time until the incentives are paid back.

Figure 6. State Incentives Under Consideration



The company is asking for a \$750K LEDA Loan

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)	1.4471	1.5961	2.1125
Earnings Multiplier	(Type II Direct Effect)	1.1943	1.2591	1.4836

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.

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