

## 2019 House Memorial 16 Economic Development Innovation Task Force Report



*In 2019, the Governor signed House Memorial 16 requesting that the Secretary of Economic Development convene an Economic Development Innovation Task Force to spur collaborative and innovative discussions to create new Economic Development concepts and ideas to enhance New Mexico's economy. This report provides the outcome of the deliberations of the Economic Development Innovation Task Force and related recommendations.*

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## EXECUTIVE SUMMARY

In 2019, the Governor signed House Memorial 16 directing the Economic Development Department to bring together stakeholders and convene an Economic Development Innovation Task Force to spur collaboration and innovative discussions on methods to create new economic development concepts and ideas to enhance New Mexico's economy.

### TASK FORCE OBJECTIVES

- A. Spur collaboration and innovation to create new economic development concepts and ideas related to permanent and recurring sources of funding for economic development programs.**
- B. Develop an action plan to recruit individuals with talent and critical skills to the state through access to and engagement of New Mexico's higher education institutions alumni bases.**
- C. Identify efforts to support development of quality commercial and industrial spaces.**
- D. Explore other innovative concepts in economic development.**

The Economic Development Innovation Task Force began its work in early June of 2019 with group meetings occurring on a monthly basis. The Task Force members formed working teams to tackle individual objectives and reported the team results to the larger group for further discussion. Information was gathered and shared and input from local and regional leaders was solicited.

Members included the Secretary of Higher Education, Department of Workforce Solutions, State Land Commissioner, NM Corporation, appointees from the House and Senate Leadership, Economic Development Organizations and others. Early on, the Task Force established the goal of providing a report with actionable recommendations that could be presented to the Legislative Interim Committees.

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The Task Force outlined the directions contained in the Memorial and reviewed a number of previously produced reports and studies to try to assess the current state of economic development programs in general and in the areas of focus as outlined in the Memorial. In addition the Task Force solicited input from elected and professional government staff and listening sessions with key stakeholders were held. They found that studies in recent years had already identified many of the issues impeding economic development therefore the focus of the group was directed towards finding actionable solutions.

Studies indicate that consistent funding for innovative programs, coupled with direct investments in critical infrastructure, is key to long term economic growth. In the course of reviewing the work that preceded this Task Force, it became apparent that since the Great Recession of 2007-2009, New Mexico has underinvested in the infrastructure needed to attract and retain enough economic base companies to offset the job losses that keeps us among the states with the highest unemployment rate. This underperformance on job creation is critical because, as was identified by the legislative Jobs Council report in 2013, we would have needed to create around 130,000 new jobs by 2023 just to get us back to prerecession levels. Thus, developing funding mechanisms to address infrastructure needs, and workforce training and providing a stable and consistent closing fund, is key to establishing an ecosystem for innovation. Addressing the lack of significant and consistent funding, both for supporting innovative program ideas and for infrastructure improvements needed for business attraction, becomes the quickest way to move the needle.

### **Task Force recommendations include:**

- **The creation of a \$100,000,000 New Mexico Infrastructure Innovation Fund that includes flexibility to cover preliminary infrastructure planning and preparation costs such as planning, feasibility, preliminary engineering and impact studies, as well as architectural and engineering services.** Significant progress could

## NEW MEXICO FIRST 2016 TOWN HALL

“People in the state want a robust economic policy that creates a vibrant business climate in which quality jobs can be created in all communities. In addition to reforming incentives and other elements of the state tax structure, the state also needs a cohesive strategy to create a statewide “economic development culture,” one that collectively supports robust funding of economic development efforts, much of which occurs at the local level”

*-One Community at a Time:  
Strengthening New Mexico by  
Boosting Local Economic  
Development*

New Mexico First, 2018

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be made to identify and prepare sites and help ignite economic activity that would garner the attention of site selection firms and meet the economic development needs of communities. It is recommended that the Fund should be established at an amount of \$100,000,000. The fund would help establish a Certified Sites designation that identifies properties that are shovel ready for capital investment. Broadband should be a key area of project focus as well as other targeted industries identified by the Legislature and the Governor.

- **The establishment of a permanent, non-reverting LEDA Innovation Fund that would be maintained in an interest-bearing account and funded at an initial amount of \$100,000,000.**
- **Increased funding for the New Mexico Partnership to \$3,000,000 annually.**
- **An Economic Development Grant Program at \$1,000,000 annually.** These would be matching grants to regional and local economic development organizations, requiring a one-to-one match, for an overall impact of \$2,000,000 annually.
- **\$2,000,000 to fund an Economic Development Cooperative Advertising/Marketing Fund** for community level business attraction efforts, especially advertising, but also including media-focused familiarity tours, that align with the Economic Development Department and New Mexico Partnership messaging, branding and business attraction efforts.
- **Re-funding and increasing the NM Environment Department Water Infrastructure Fund to \$20,000,000.**

### Other Recommendations:

- **Higher Educational Department to convene a summit to assemble all relevant stakeholders including post-secondary institutions, post-secondary foundations, post-secondary alumni leaders, economic development organizations, plus professionals to support the exploration of plans of action to achieve the goals of employing alumni assets for business attraction and expansion, talent attraction and retention, brand awareness, and creation of unique investment pools.**
- **The development of a comprehensive certified sites initiative to ensure that New Mexico's communities are optimally positioned to successfully compete against other states to**

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attract jobs and investment. This initiative could be funded through New Mexico Infrastructure Innovation Fund.

- Legislation that would expedite the processing of permits for development projects and impose time limits within which state and local government agencies must either approve or disapprove permits (with justification) so that a project cannot be indefinitely stalled.
- Legislation to lengthen the maximum term of State Land Office leases with municipalities and counties for economic development projects from 25 years to 40 years.
- The development of Hybrid Learning Model for the Applied Technology Sector.



## INTRODUCTION

The Economic Development Innovation Task Force met regularly over the course of seven months, both as a full group and in teams tackling the different goals and objectives contained in House Memorial 16. We reviewed a number of studies and had very rigorous conversations. In addition, the Task Force solicited input from elected officials, municipal and county staff from different regions and held listening sessions with key stakeholders such as the New Mexico Municipal League and New Mexico Commercial Real Estate Development Association (NAIOP) members and independent real estate developers.

Through these discussions, we found that while there exist a number of different challenges in different regions, funding for critical infrastructure is an important unmet need and impedes economic development. Lack of investments in roads, water infrastructure, broadband and housing has hampered economic growth over the last decade. This has been compounded by a decrease in federal investments in those areas during one of the most challenging periods in American history, creating a perfect storm of economic stagnation for New Mexico.

In the end, we realized that trying to come up with truly innovative ideas in the realm of economic development would be a daunting task that could not possibly be accomplished by a small group of individuals in a limited amount of time. We instead tried to focus our attention on developing funding mechanisms that could be used to impact the larger economy through financing innovative programs, ideas and proposals based on the needs of the stakeholders.

Coupled with identifying issues that hinder economic development and preparing communities for expanded expenditures in existing and future infrastructure to support the expansion and relocation of businesses, we believe the ideas contained in this report can help catalyze efforts and move the needle forward for New Mexico in the years ahead. We thank everyone that provided feedback and input during the fact-finding period.

### Background

The U.S. Great Recession (December 2007 to June 2009) began with the bursting of an \$8 trillion housing bubble and led to a freezing of capital markets. The resulting loss of wealth led to sharp cutbacks in consumer, business and government spending. This loss of consumption, combined with the financial market chaos, led to a collapse in business investment which itself led to cutbacks in government investments in infrastructure. As consumer spending and business investment dried up, massive job loss followed. In 2008 and 2009, the U.S. labor market lost 8.4 million jobs, or 6.1% of all

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payroll employment. This was the most dramatic employment contraction (by far) of any recession since the Great Depression.<sup>1</sup>

In 2013, The New Mexico Legislature created the Jobs Council to develop a process and framework bringing together lawmakers, economic developers, business leaders and citizens to reach clarity and consensus on a job-creation agenda for the state. Over the first three years, the Council conducted 18 all-day, bipartisan council meetings, 30 all-day county and regional deliberations, 30+ advance team deliberations, and additional meetings. They concluded that New Mexico had to create 140,000 jobs over ten years to get the state back to pre-recession employment levels.

### **Among the Councils recommendations were:**

- 1. \$50,000,000 appropriation for the state's LEDA fund**
- 2. Staff augmentation matching grant program authorization**
- 3. Rapid response workforce training**
- 4. Broadband: Comprehensive study of needs and priorities for rural infrastructure<sup>2</sup>**

As of October 2019, New Mexico is still struggling to recover from the effects of the economic downturn with the fourth highest unemployment rate in the country at 4.8%. Of even greater concern is the fact that in the ten-year period since the great recession, the United States has significantly neglected to invest in its infrastructure needs. In its 2017 report card assessing the condition of America's infrastructure, the American Society of Civil Engineers (ASCE) gave U.S. infrastructure a D+ or "poor" rating. The engineers estimated the cost of bringing America's infrastructure to a state of good repair (a grade of B) by 2025 at \$4.6 trillion, of which only about 55 percent has of yet been committed.

According to the report card "New Mexico faces infrastructure challenges of its own. For example, driving on roads in need of repair in New Mexico costs each driver \$594 per year, and 6.5% of bridges are rated structurally deficient. Drinking water needs in New Mexico are an estimated \$1,160,000,000, and wastewater needs total \$320,000,000.

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<sup>1</sup> Economic Policy Institute, <http://stateofworkingamerica.org/great-recession/>

<sup>2</sup> <http://nmdashboard.thecelab.org/>

This deteriorating infrastructure impedes New Mexico’s ability to compete in an increasingly global marketplace. Success in a 21st century economy requires serious, sustained leadership on infrastructure investment at all levels. Delaying these investments only escalates the cost and risks of an aging infrastructure system, an option that the country, New Mexico, and families can no longer afford.”<sup>3</sup>

While States and local governments accounted for approximately 75% of public infrastructure spending in 2004, such expenditures are currently at historic lows. In New Mexico capital expenditures in infrastructure as a share of total capital spending in 2016 was just 8.9%. However, investment in public infrastructure fuels economic growth as outlined in a paper by the Center on Budget and Policy Priorities. The paper found that well-targeted public investment in infrastructure improves private productivity and can spur job growth. The paper reviewed a number of studies and found “that the largest positive effects occur in places where the quantity and quality of infrastructure lag.” In other words, the fact that we have an existing underinvestment in infrastructure, if we were to devote significant resources over a sustained period of time, we would get a bigger “bang for the buck” and can improve the state’s quality of life, the environment, and opportunities in general.<sup>4</sup>

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<sup>3</sup> 2017 Report Card for America’s Infrastructure, American Society of Civil Engineers, March 2017, <http://www.infrastructurereportcard.org/>

<sup>4</sup> <http://www.cbpp.org/research/state-budget-and-tax/its-time-for-states-to-invest-in-infrastructure>

**A. Spur collaboration and innovation to create new economic development concepts and ideas related to permanent and recurring sources of funding for economic development programs.**

**New Mexico Infrastructure Innovation Fund**

In the case of funding, it became clear that investments in infrastructure had been lacking for a number of years, both at the State and Federal level, which has caused serious deterioration of existing infrastructure. This means that any funding coming online now will need to address neglected maintenance issues at the same time as it is expanding and building new infrastructure.

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*The Task Force recommends the creation of a New Mexico Infrastructure Innovation Fund that includes flexibility to cover preliminary infrastructure planning and preparation costs such as planning, feasibility, preliminary engineering and impact studies, as well as architectural and engineering services. Significant progress should be made that would help ignite economic activity that would garner the attention of site selection firms and meet the economic development needs of communities.*

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Such a fund housed at the New Mexico Economic Development Department (NMEDD), if aligned with existing infrastructure funding resources, such as provided by the New Mexico Finance Authority (NMFA), the Department of Finance Administration's (DFA) Community Development Block Grant program, the Environment Department (NMED) and others would provide a steady source of long term funding to help build the infrastructure needed to attract businesses over the next decade. The fund should align resources through the established multi-agency FUNDIT working group, which includes the NMFA, MFA, DFA, NMEDD, NMED and other participating agencies with funding programs. In addition, federal agencies should be represented on FUNDIT which can be achieved through signed Memorandums of Understanding, which has recently been executed with the Small Business Administration. The working group would vet projects for funding consideration and ensure that the project align with community submitted Infrastructure Capital Improvement Plans (ICIP) and capital outlay requests. If FUNDIT approves a project for funding, the funds would be disbursed by DFA under its established policies and procedures. Requests would receive additional consideration

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for alignment with **Opportunity Zones** and **Certified Sites Program** and would be leveraged through established programs, such as the NMED Water Infrastructure Funding, Brownfields Funding, NMFA Public Projects Revolving Fund, as well as other programs.

The Fund would provide communities with resources for planning, feasibility, architectural and engineering studies when those funds are not available through other programs and can be used as part of any matching funds requirements for federal funding programs. The project would need to demonstrate that the funding would result in the significant improvements of community and private assets that in turn provide demonstrable public benefits within a five-year period.

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*It is recommended that the Fund should be established at an amount of \$100,000,000. For comparison, the Legislature recently raised the cap on the Film Production Tax Credit to \$110,000,000. This substantial amount garnered significant attention nationally from the film production community, and the establishment of a similarly sized fund would signal the market that New Mexico is serious about infrastructure improvement and business attraction.*

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The fund would help establish a Certified Sites designation that identifies properties that are shovel ready for capital investment. Broadband should be a key area of project focus as well as other targeted industries identified by the Governors Administration. A floor for funding of perhaps \$25,000,000 can be established for rural and distressed communities. Project progress monitoring can be ensured through contracting for services with NMED CPB.

### **LEDA Innovation Fund**

LEDA funding has been ad hoc over the years, with little ability to re-use funds that have been paid back, clawed back or otherwise returned. A model exists to ensure program success: the Job Training Incentive Program Program (JTIP). For over forty years the JTIP program has been a model of efficiency, transparency and overall success in reimbursing companies for training expenses incurred.

A LEDA Fund of \$100,000,000 would be established with existing and new funds and deposited into an interest-bearing account through the State Treasurer's Office. This would produce approximately

\$1,000,000 to cover administrative, personnel and due diligence costs. By establishing this non-reverting fund, the program would be able to re-purpose any funds that are clawed back or otherwise returned.

In order to ensure that smaller size and rural projects receive due consideration and attention, a portion of the funds, perhaps \$25,000,000 would be approved through the Governor Appointed Economic Development Commission, utilizing similar policies and procedures as established by the Job Training Incentive Program (JTIP) Board. This approach allows the Governor and Economic Development Secretary flexibility to negotiate LEDA deals with larger projects, by access to \$75,000,000, while giving smaller projects an access point into the funds. Both Funds would report quarterly to the Legislative Finance Committee for oversight.

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*The Task Force identified the need for consistent and transparent LEDA funding that would also generate revenue to cover overhead expenses and utilize recycled funds. It is recommended that there be established a permanent, non-reverting LEDA Innovation Fund that would be maintained in an interest-bearing account.*

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### **Increase Investment In New Mexico Partnership**

The single greatest challenge to business recruitment into New Mexico is the lack of awareness about New Mexico among company decision makers and their site selection advisors. The main result of lack of awareness about New Mexico is that project pipelines remain inadequate across the state. This is of particular concern because New Mexico has many rural and smaller communities. In order to ensure that growth occurs across a large number of smaller communities the pipeline of projects must be as large as possible.

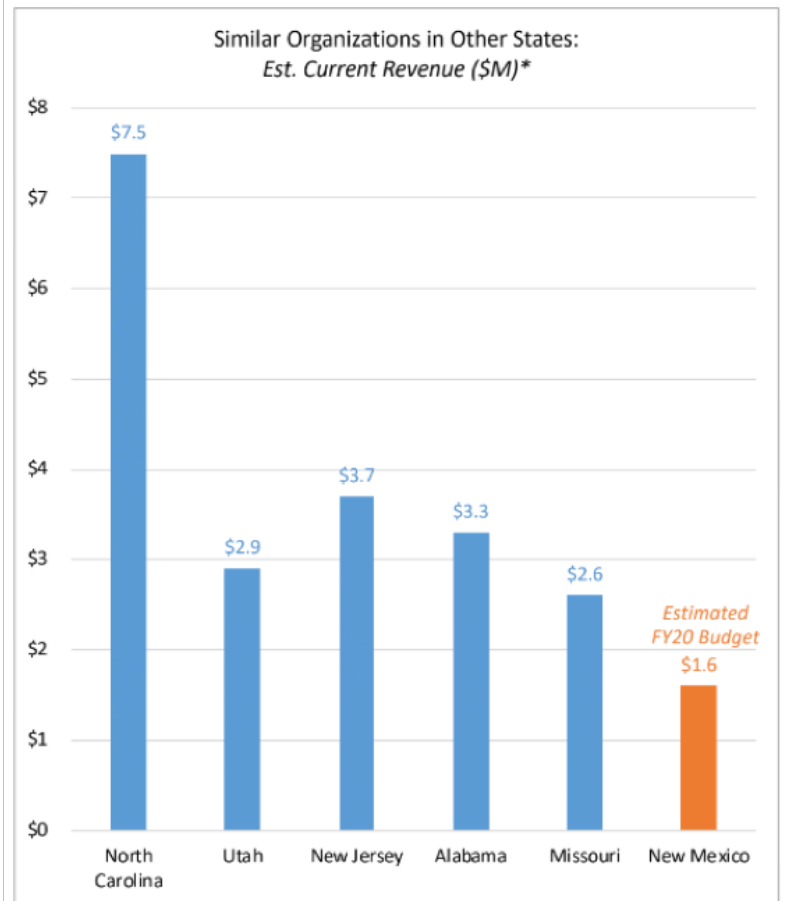
The New Mexico Partnership is designated as the state's economic development marketing and business recruitment organization. When compared to similarly situated organizations, the New Mexico Partnership's budget is inadequate. It is often typical that individual communities in other states often have marketing budgets greater than New Mexico as a whole.

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Prospect generation is essentially long-term business to business development involving direct outreach to companies in order to elicit interest in New Mexico. The New Mexico Partnership's budget has approximately tripled in the last two and half years and its efforts have contributed to several high-profile project wins including Stampede Meat, Admiral Cable, Corrugated Synergies International, Rich Global Hemp, and Ganymede Games. While this demonstrates strong economic growth in the state, more is needed.

The business development resources at the New Mexico Partnership, funded by the New Mexico Legislature, are currently driving the current growth and have reached full capacity. Expanding into new sectors and targeting additional geographic locations, especially those outside the borders of the U.S., as well as increasing the outreach activities involved, is crucial to continuing to grow business development outcomes. This is not possible without increased financial investment in the New Mexico Partnership.

Truly transformational growth will also require broader marketing of the state and its assets. Traditional business development activities, such as those described above, are crucial and do not scale efficiently to the kind of increased levels the state needs in order to effectively raise awareness. Accomplishing awareness requires substantial focus on broader marketing of New Mexico as a business location. The New Mexico Partnership has developed an effective marketing approach over the last several years and has integrated the resources and developed new collateral. The New Mexico Partnership has also reworked, tested, refined, and incorporated new messaging into its



\*Annual budget revenue, does not include other cash assets or funding streams; e.g., AL had ~\$10M in liquid assets available for foundation, New Jersey had ~\$3M in cash assets.

communication platforms. Social Media efforts have been built from the ground up. Continued expansion of these marketing efforts helps generate earned media for the state, which is critical to fully addressing the gap in awareness. Increased funding levels translate into additional marketing activities focused on growing the awareness of New Mexico among companies and their advisors.

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*The Task Force recommends increasing funding for the New Mexico Partnership to \$3,000,000 annually. The New Mexico Partnership received \$1,475,000 in legislative appropriations for FY 20. The recommended funding level of \$3,000,000 annually is directly aimed at both increasing near-term project “wins,” as well as ensuring that the pipeline of projects created to generate future growth is increased and positively impacts a greater range of communities across the state.*

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## **Build Local Economic Development Capacity**

A recent report released by New Mexico First states, “despite its importance in building New Mexico’s overall economy, with few exceptions, local economic development in the state has been chronically underfunded.” Additionally, the report illustrated that “while the populations and target industries between the Amarillo Economic Development Corporation and the Mesilla Valley Economic Development Alliance (Las Cruces MSA) are nearly identical, the Amarillo EDC’s capacity to recruit, say, aviation companies to the area is very different.”<sup>5</sup> Specifically, the Amarillo EDC’s budget related to boots on-the-ground personnel, \$1,020,000 which is more than twice that of MVEDA, \$420,000. Similarly, the state’s largest city, Albuquerque, has a population which is more than 2.5 times than that of Amarillo, yet Albuquerque Economic Development’s budget for boots on-the-ground personnel is \$1,030,000, almost the exact same as the Amarillo EDC.

Even more concerning, many of the communities that are in the most need of local economic development are the ones that struggle the most to fund and build local economic development capacity. Below is a list of a sample of local Economic Development Organizations (EDO) and their personnel budget according to the most recent publicly available tax information.

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<sup>5</sup> NM First, <https://nmfirst.org/LiteratureRetrieve.aspx?ID=234317&usg=AOvVaw3OE9YFCGZgyuYwntNXnNAD>



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### EDO PERSONNEL BUDGETS (2018)

- Cibola Communities Economic Development Foundation: \$75,706
- Estancia Valley Economic Development Association: \$61,800
- Greater Raton Economic Development Corporation: \$2,616
- Las Vegas / San Miguel County Economic Development: \$89,344

Additionally, as the state continues to invest dollars into economic development incentives and other economic development programs, the number of leads generated for business recruitment continues to increase. However, a lack of local economic development capacity throughout the state can potentially create an economic development bottleneck across the state, which means a potential loss of job creation opportunities for the communities that need them the most.

Continued investment, growth and development of local and regional economic development agencies is critical to ensure that communities across the state are able to assist and recruit new businesses, while working to retain and grow existing businesses. However, many communities throughout New Mexico, particularly rural communities, do not have the financial capacity to hire adequate personnel.

In 2014, the legislature unanimously created the Economic Development Grant Program, which provides matching funds to local and regional economic development organizations to enhance on-the-ground economic development and job creation efforts. However, the Economic Development Grant Program has never received an appropriation.

The Task Force recommends funding the Economic Development Grant Program at \$1,000,000 annually. Since these are matching grants to regional and local economic development organizations, the funding would leverage an additional \$1,000,000 for an overall impact of \$2,000,000 annually.

The Task Force also recommends revising the Economic Development Grant Program to allow for more innovation and collaboration in proposals so that they further the New Mexico Economic Development Department's efforts to foster an advanced economic development network within the state of New Mexico.

**IN ADDITION TO DIRECT PERSONNEL, THE TASK FORCE  
RECOMMENDS ELIGIBLE PROPOSALS WHICH INCLUDE:**

- Local and regional assessments of the economic competitiveness of the area (e.g., workforce, infrastructure, and sustainability);
- Initiatives that will assist or enhance an organization's ability to develop economic development programming that helps identify issues or challenges of a geographic area within the state;
- Implementation or replication of successful pilot programs of economic development best practices;
- Expansion of economic development services into more rural areas of the regions they currently serve;
- Build capacity to provide a greater level of professional response to requests for information that come into their community; and
- Programs that creates a stronger alignment with the economic development strategies of the state and resources that support job creation.

Additionally, the Task Force believes the Economic Development Grant Program grants should be considered bridge grants and should incentivize regional collaboration with other economic development groups and other local jurisdictions. This recommendation leverages the combined financial resources of local governments, private companies, and the state government to address local economic development capacity gaps.

**Other Funding Recommendations**

- **Create an Economic Development Cooperative Advertising/Marketing Fund** of \$2,000,000 for community level business attraction efforts such as advertising, branding, and media-focused familiarity tours that align with the Economic Development Department and New Mexico Partnership messaging. Increasingly, media outlets make editorial coverage contingent upon advertising spending. The earned media editorial coverage that could be spurred by strategically leveraging this kind of funding would be a game changer in terms of accomplishing the critical strategic imperative of raising awareness of the state as a top business location option.
- In 2018 NMED had \$10,000,000 in its Water Infrastructure Funding taken by DFA to help balance the budget. **The Task Force recommends replacing those funds and increasing that Fund by additional \$10,000,000 for a \$20,000,000 NMED Water Infrastructure Fund.**

## **B. Develop an action plan to recruit individuals with talent and critical skills to the state through access to and engagement of New Mexico's higher education institutions alumni bases.**

Alumni of higher education institutions across the state are often approached for investments to fulfill capital or operating needs at each of our state's institutions. Whether being solicited for participation at job fairs held on campus or for financial contributions for student scholarships and faculty endowments, alumni have long been an asset for each individual institution.

However, the State of New Mexico has never viewed this group as a statewide economic development asset. The University of New Mexico's Office of Institutional Analytics' Official Enrollment Report for fall 2019 shows that 85 percent of UNM's undergraduate enrollment is comprised of New Mexico residents. The same report shows that 65.5 percent of the 3,720 UNM graduate students are also residents. In 2018, New Mexico State University reported that 70 percent of its 14,289 total enrollment are New Mexico residents. We are primarily educating those that live in the state.

Each higher education institution also reports on enrollment in special programs and produces reports on the number and types of degrees handed out each semester. All of this is publicly available for economic developers to cite and provide to interested companies. One of the biggest gaps in economic development statewide is proving that we have experienced talent in place that is ready to work for a company that is considering locating in New Mexico or growing within our borders.

The Department of Workforce Solutions has tools that demonstrate how many candidates may be currently qualified or searching, but that number is limited to only those New Mexicans that are active within their statewide database. Alumni bases from higher education are global and are generally not a part of that system. Economic developers lack a singular, experienced-talent database that shows what all those former New Mexico residents are doing.

### **Why is this important to economic development?**

Our alumni graduate with varying degrees and talents. Upon graduation, they become a workforce that must find employment within our state or move away. As a state, all of our higher education institution alumni are workforce assets that can be viewed in 4 distinct ways:

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- Business Attraction
- Talent Attraction
- Brand Awareness
- Unique Investors

### **Business Attraction**

One of the ways economic developers help grow regional economies is through attraction of industry. The two main components of business attraction require a community to demonstrate that they are the right location and that they have the right workforce. Often, New Mexico and its communities are in competition with many other communities when it comes to business attraction. Throughout the state, economic development organizations (EDOs), the NM Partnership, and the New Mexico Economic Development Department (NMEDD) work collaboratively to gain an advantage by utilizing asset-based marketing. This means that they market what our stable asset strengths are to particular industries so that we can demonstrate that we are a more opportune location compared to many other places.

From here, communities must demonstrate the ability for a company to become immediately productive by showcasing existing and potential talent bases available in the region. One way to demonstrate an ability to recruit would be to examine what companies are consistently recruiting New Mexico talent from our universities and community colleges. For example, if Company X has recruited engineering talent from NM Tech, NMSU, and UNM, as a state, we should be approaching the company about opening an engineering division within New Mexico. We can also approach the company to discuss why they should invest in our higher education system to further specialize the talent they need while benefiting the enrolled residents of our state.

### **Talent Attraction**

Along with identifying business attraction targets, having a centralized list of all talent that originated in New Mexico allows us to point to a potential experienced recruitment base for companies that are considering expanding operations in New Mexico. We know, anecdotally, that people who are familiar with living in New Mexico and have moved away, often desire to come back for job

## ECONOMIC DEVELOPMENT INNOVATION TASK FORCE REPORT

opportunities that match their skill set. Through the development of an appropriate exit survey for higher education students and a centralized alumni database, the state can develop a list of experienced talent that is willing to move back during the business attraction and expansion process.

### **Brand Awareness**

Having the affinity for New Mexico, and with the potential introductions alumni can bring to new companies, alumni are advocates for the state, even when they reside outside of it. Whether they are gathering to reminisce about old college days, or they are networking through Facebook groups (the group *505 in the 303* has 5,406 followers since its creation in 2013), there is a general understanding of what the work and play life is like here. We should be using this asset in our economic development efforts.

### **Unique Investors**

Alumni are already experiencing calls and emails from their institutions to give more in financial contributions. Also, there are gaps in our state when it comes to investment in certain stages of business. The state has taken great efforts to market opportunity zones, but we have not developed plans for how federal investor tax credits can be used for equity investments. Many things are aligned for an opportunity to start looking at how we can creatively approach our alumni base statewide to examine new avenues of funding innovation, which can lead to greater job creation throughout New Mexico.

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*The Task Force recommends that the Higher Educational Department host a summit to assemble all relevant stakeholders including, post-secondary institutions, foundations, alumni leaders, along with economic development organizations and professionals to support the exploration of plans of action. The goal is to employ alumni assets for business attraction and expansion, talent attraction and retention, brand awareness, and creation of unique investment pools.*

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**THE TASK FORCE SUGGESTS THAT SUMMIT  
PARTICIPANTS EXPLORE THE FOLLOWING CONCEPTS:**

- Creation of an a singular, experienced-talent database that not only supports economic development efforts, but provides a pathway to attract alumni with talent and critical skills back to the state;
- Co-development of an exit survey for higher education students that can be utilized to support economic development and talent retention strategies;
- Learning what type of data currently exists and is available to support economic development and talent retention efforts;
- Creation of a statewide initiative to support collaboration between higher education institution department leadership and economic development professionals to identify business attraction targets, followed by a campaign that includes data and relationship marketing to attract those companies;
- Fostering relationship building, understanding, and collaboration amongst stakeholders to fully utilize alumni as statewide economic development assets.

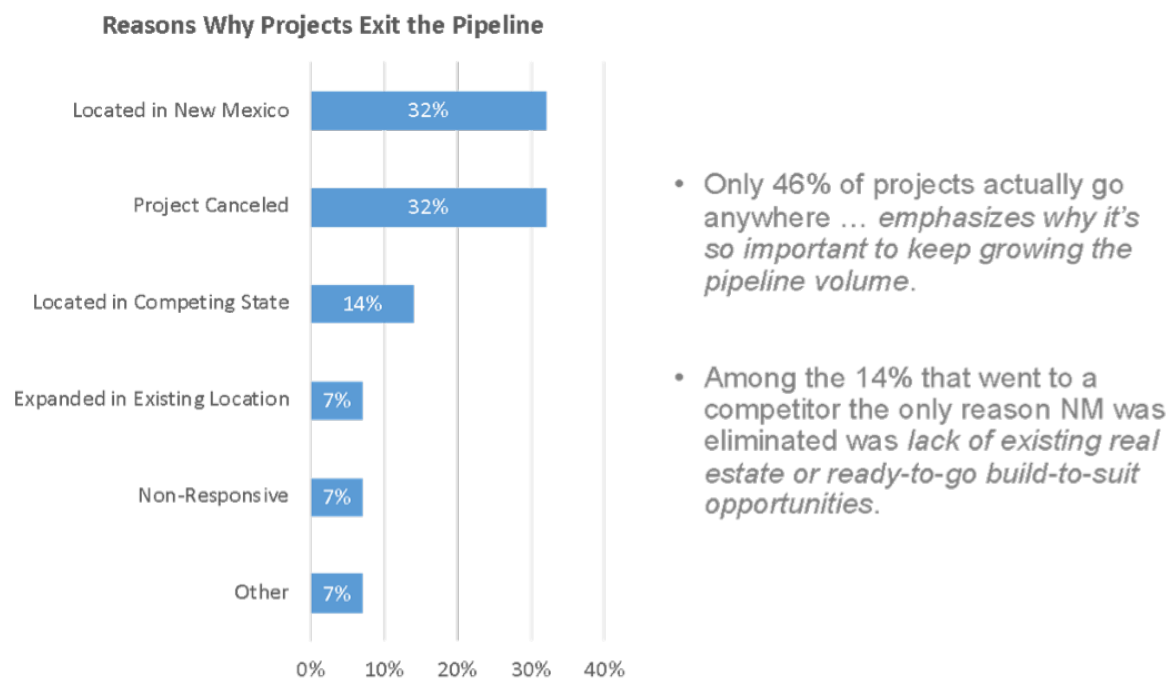
## ECONOMIC DEVELOPMENT INNOVATION TASK FORCE REPORT

### C. Identify efforts to support development of quality commercial and industrial spaces.

#### Certified Sites Initiative

The lack of available property options throughout New Mexico remains a barrier to attracting companies to the state. While buildable land is available, it is often not shovel ready and it is often not clear what the land would require in terms of both time and resources to get it ready for development.

A review of New Mexico Partnership projects that have been removed from its project pipeline indicates that the primary reason any projects ultimately went to other short-list competitors, rather than New Mexico, was that our state lacked a suitable existing facility or build-to-suit opportunity.



\*Data provided by New Mexico Partnership



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Increasingly, the New Mexico Partnership is experiencing demand for build-to-suit property options. National trends are driving the demand because in most markets, vacancy is low in existing space, and the willingness to develop spec space is limited to non-existent.

New Mexico has the opportunity not only meet this trending demand for build-to-suit property options, but also create a competitive advantage by developing an initiative that creates more predictability and certainty around development timelines and costs.

In fact, Business Oregon, that state's economic development agency, states that "today's business environment demands that a supply of market-ready employment-oriented sites, specifically zones for industrial or economic-base uses, are available for development within 180 days or less."

To address the demand, Oregon implemented a Shovel-Ready Certification Program, which guarantees that certified sites are ready for construction within six months or less and verifies that a site is market-ready and developable. The state's certification, which is one of the most comprehensive in the country, requires applicants to submit extensive information about a site's utilities (water, electric, telecom, etc.), easements and liens, endangered species, environmental contamination, zones, and a number of other components.

While the process in Oregon can take up to a year to complete, the information collected and verified allows potential economic development projects to reduce the amount of lead time required for due diligence and reduce the start-up cost.

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*The Task Force recommends development of a comprehensive, certified-sites initiative to ensure that New Mexico's communities are optimally positioned to successfully compete against other states to attract jobs and investment.*

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### **Predictable Permitting & Inspections**

A lengthy and unpredictable permitting process adds cost and creates uncertainty for potential economic development projects that are looking to locate or expand on certain sites. Cost and unpredictability can also significantly affect the very feasibility of the development project.

Uncertainty in time and cost harm the ability of developers to close deals on economic development

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projects. As a result, communities may miss out on economic development and job creation opportunities.

To reduce unpredictability and to further expedite the processing of permits, states such as California have enacted statutes that impose time limits within which state and local government agencies must either approve or deny permits. Additionally, if the governmental body takes no action by the deadline, the permit is automatically deemed approved.

This type of approach ensures accountability and increased communication between government agencies and developers. These statutes have also incentivized developers to better prepare application documents so that timely decisions can be made. This measure also parallels legislation passed during the 2019 Legislative Session that created timelines and incentives for the New Mexico Taxation and Revenue Department to comply with deadlines and resolve tax protest matters quicker and with less cost to both the agency and the taxpayer.

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*The Task Force recommends legislation that would expedite the processing of permits for development projects and impose time limits within which state and local government agencies must either approve or disapprove permits, with justification, so that a project cannot be indefinitely stalled.*

*Additionally, the Task Force recommends enhanced inter-agency collaboration among departments to not only ensure predictable permitting, but to also ensure that proper inspections are conducted in a timely matter, as to not impact the businesses' financial viability or the ability of businesses to operate.*

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The Task Force recognizes that state agencies may be understaffed to meet the needs of communities across the state due to increased economic growth. Therefore, the Task Force recommends increased funding for staff positions to meet the needs for permitting, processing, and inspections.

### **Extension of State Land Office Lease Terms for Economic Development Projects**

Many communities throughout New Mexico contain State Trust Lands and many are well positioned for economic development projects. The State Land Office is supportive of further assisting local economic development through leases of some its lands for industrial and business parks. However, the current maximum allowable lease term for a municipal/county lease is only 25 years, which often eliminates State Trust lands from consideration as an option.

Many prospective business tenants have cited the need for a longer lease term of at least 35-40 years in order to lessen their risk of building facilities on State Trust Lands and to obtain the necessary financing. Additionally, a popular incentive program for new facilities has been Industrial Revenue Bonds (IRB), which has 30-year maximum terms in most of the state.

More economic development entities would consider leasing State Trust Lands and investing in buildings within city or county owned industrial parks, if the leases were longer term. Additionally, more financial institutions would support lending to these projects if the lease term was expanded.

Additional real estate options would become available to communities throughout New Mexico for prospective economic development projects. The availability of well-suited real estate options will encourage new and expanding businesses, which will result in more job creation and tax revenue. The leases will also expand State Trust Land revenues, directly benefiting educational institutions and other entities throughout the state.

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*The Task Force recommends that the state lengthen the maximum term of State Land Office leases with municipalities and counties for economic development projects from 25 years to 40 years. The current 25-year maximum lease term with local government entities was established by the Legislature in 19-7-54 (municipalities) and 19-7-55 (counties and school districts). Extension of the maximum lease requires Legislative action.*

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## **D. Explore other innovative concepts in economic development.**

### **Hybrid Learning Model for the Applied Technology Sector**

The United States is experiencing a significant national shortage of skilled labor in the applied technology sector, whereby employers are unable to efficiently identify and recruit work teams that meet employer competency requirements. Similarly, per the U.S. Council of Economic Advisors July 2018 Report on this topic: “[T]here is an information gap between employers, workers, and educational institutions...whereby employers [have defined competency definitions] but educational institutions are [not currently and lag significantly behind] changing demand.”

The U.S. applied technology sector and its labor gaps are growing and include telecommunications (e.g., 5G and smart technology infrastructure); medical technologies and medical technicians; housing and related smart technology installations; agriculture technologies including drones, GIS, and robot equipment; energy including fossil fuels, wind energy, and solar power; and factory production, product assembly, and product distribution systems. This shortage is especially pronounced in the 5G wireless infrastructure domain that is the infrastructure backbone for emerging smart technology, internet, context-aware technological reality that is shaping our cities and competitive landscape.

According to the Wireless Infrastructure Association (WIA) that represents the major 5G carriers/providers, there are currently 50,000 jobs available which remain unfilled. According to Accenture, three million jobs will be created from 5G wireless deployments and next generation 5G wireless networks could add approximately \$500,000,000,000 to U.S. gross domestic product (GDP) through direct and indirect benefits.

New Mexico should leverage the existing two-year and four-year post-secondary infrastructure and existing ubiquitous smartphones to create an innovative, responsive and efficient workforce development model. The objective is to design and implement a rapid training and competency certification process founded on a hybrid model that combines experiential, hands-on learning with mobile-optimized content that meet the goals of reliable, measurable competencies required by employers.

There are no comparable learning and training delivery innovations in the applied technology sector, as there is with traditional degree programs (undergraduate and graduate degrees), thus there exists

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a significant opportunity for New Mexico to fully engage this gap with a concerted, statewide program that leverages the existing two-year and four-year post-secondary education infrastructure and pathways to these institutions from our high schools. While traditional degrees enjoy vast innovation, including online learning, hybrid learning, regional and statewide initiatives, no comparable innovations exist in the applied technical skills training and workforce development domain.

Nationally, private education has been far more responsive to this mission-critical change than public higher education, and in the case of 5G and other technical skills, employers are providing their skilled labor needs through in-house or outsourced training.

There is an opportunity to create a hybrid learning model that accurately and efficiently captures employer competency skills requirements and from these build hybrid training certifications that meet the needs of employers. Mobile technology would serve as the content delivery and communication device, and in-the-field experiential learning would rely upon the mobile phone's location-based GPS for quick deployment of mentor-led/expert-led training in the context of the skills learned. Additional state resources include our high percentage of PhD-level experts at Los Alamos, Sandia Labs, and other research and applied research hubs, in addition to talent at our universities, colleges, and high schools.

**HYBRID LEARNING MODEL FOR THE APPLIED  
TECHNOLOGY SECTOR RECOMMENDATIONS:**

- Assemble all relevant post-secondary institutions and specific high schools toward participating as the primary stakeholders in this initial, pilot project.
- Obtain initial federal, state, and private partnership funding to design and implement the pilot project of an applied technology workforce development and training platform and process together with the WIA, whereby the WIA is a partner and provides employer competency requirements.
- Develop up to ten fully functional hybrid courses that provide certifiable competencies associated with the existing and negotiated WIA skills and competency requirements.
- Create a sustainable applied technology workforce development and training model across other applied technology sectors, with the 5G training at the pilot project foundation.

## CONCLUSION

The importance of investing in infrastructure and economic development programs to attract and retain businesses in order to grow the economic base of a community is an established key to long term community development and prosperity.

Historically low levels of infrastructure investments in New Mexico and nationally has caused us to rely on an aging and increasingly deteriorating infrastructure which has slowed down the economic engine that drives the prosperity of our state.

We have an opportunity to correct this situation and catalyze economic growth in the future if we commit to sustained and targeted investments in innovative programs that are able to demonstrate direct impact and deliver measurable results that build out roadways, housing, broadband, energy transmission and water infrastructure in support of business attraction and retention, and future job growth. These investments have a twofold effect in that they stimulate economic activity in the short run, through the physical build out of the infrastructure, and long term by developing the site locations that are key to attracting expanding businesses.

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