

Local Economic Development Act Hearing

Case #2022-1

LEDA-22-1: Heritage Project

REQUEST: Approving an Ordinance for Heritage Driven, LLC Pursuant to the Local Economic Development Act

PROJECT SUMMARY:

Heritage Driven LLC (“Heritage”), a New Mexico limited liability company legally registered and headquartered in New Mexico, is seeking the City of Albuquerque to be the fiscal agent for State LEDA funds to be used for the acquisition, construction and improvement of an automotive restoration facility (the “Project”). Heritage has been approved for \$100,000 in State LEDA funds and for \$15,000 in City LEDA funds for the Project. The City will act as fiscal agent for the State’s LEDA funds.

The ordinance would allow reimbursement of approved Project costs so Heritage can undertake certain acquisition, construction and improvements for its new automotive restoration facility located in Albuquerque. Heritage anticipates occupying and operating its Project facilities and will hire and retain at least 21 employees as outlined in the Project Participation Agreement (PPA). Many of these jobs will provide opportunities and training for low/moderate income residents. The company has no competitors in the state or region. Heritage will maintain the Project’s operations in Albuquerque for a minimum of ten (10) years.

Heritage is one of a handful of highly specialized companies in the United States focused on the import, restoration, and modification of classic Land Rover Defender vehicles. The work involves custom fabrication, engineering, custom part design and manufacturing and automotive assembly. Heritage is seeking to construct a modern, purpose-built, fabrication, light manufacturing, and restoration facility in Albuquerque’s Wells Park neighborhood which will be integrated into the redevelopment of an adjacent property. The business is successful with 100% of its sales coming from outside the State of New Mexico. However, growth has been hampered by the lack of suitable facility space in the metropolitan area which has also impacted the ability to compete with similar out of state firms.

The majority of the new positions are trade-focused which require highly skilled mechanical and fabrication skills but do not require university level education. Heritage will be able to provide well-paid employment and opportunities to gain highly sought-after experience through on-the-job training. The jobs provided will exceed median wages for the industry in Albuquerque and are considered full-time positions, with full employee benefits. Employee benefits offered by the company include a 50% health insurance medical premium.

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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 \$12.7 million in taxable sales over the next 10 years.

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 \$491,400 in net benefits over the 10-year period and the Project will generate \$2,873,900 in total for all local taxing districts.

In addition to LEDA funds, the company is pursuing an industrial revenue bonds to fund this project. That transaction will be analyzed separately.

Heritage anticipates the construction of the combined project with Agenda will result in approximately 75-110 construction jobs from local general contractors. Heritage will maintain the Project's operations in Albuquerque for a minimum of ten (10) years.

The 21 new employee positions will be automotive techs, Project Manager, Sales, and Automotive Fabrication Techs, with an hourly wage ranging from \$25 - \$35 / hour. All 21 jobs are considered full-time, with full employee benefits. Employee benefits offered by the company include PTO, partial paid health care, on the job training, out of town seminars and training opportunities.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. Qualifying entities for these projects include:

A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E of this definition; not including businesses primarily engaged in the sale of goods or commodities at retail;

The LEDA application, as shown in Exhibit 1, provides details of the project and the number and types of jobs to be created.

Exhibit 2 delineates the required Project Participation Agreement ("PPA") between Heritage and the City. The PPA is summarized in Section V.

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model. The fiscal impact determination of the project is from information the company provided. The analysis shows that the company will be making a substantive contribution to the

community. Overall, the City will receive approximately \$491,400 in net benefits over the 10-year period and the Project will generate \$2,873,900 in total for all local taxing districts.

FINDINGS:

1. LEDA 22-1 is a qualified project as defined by the State’s Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. LEDA 22-1 would make positive substantive contributions to the local economy and community by creating 15 base jobs; and
3. Subject to the development of acceptable security documents, LEDA 22-1 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for 10 years; and
4. Subject to the development of acceptable security documents, LEDA 22-1 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within 10 years.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the City’s LEDA project evaluation criteria.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a “Qualifying Entity” eligible for LEDA funding assistance. Heritage qualifies under the Act and the Ordinance by meeting the following definition:

As stated in the Summary, qualifying entities for these projects include

A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E of this definition; not including businesses primarily engaged in the sale of goods or commodities at retail;

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City's enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City's community economic development plans, shall receive priority. Heritage qualifies as the type of project that meets the City's identified economic development priorities under (F/S O-04-10) in the following categories:

- (2) Private companies seeking to build, expand or relocate facilities;**
- (6) Projects in industry clusters listed above are particularly encouraged,**

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

The proposed project is located at 1701 5th St Nw, Albuquerque, NM 87102. The site is more particularly described as Lot number One (1) of Block numbered Three(3) of the IVES ADDITION a subdivision of a tract of land in Bernalillo County, New Mexico as the same is shown and designated on the map of said subdivision, filed in the Office of the County Clerk of Bernalillo County, New Mexico, on February 7, 1972, in Plat Book C2, Page 34, (.032 acres, more or less). The development site for Heritage Driven is currently zoned AS NON RESIDENTIAL – LIGHT MANUFACTURING (NR-LM)

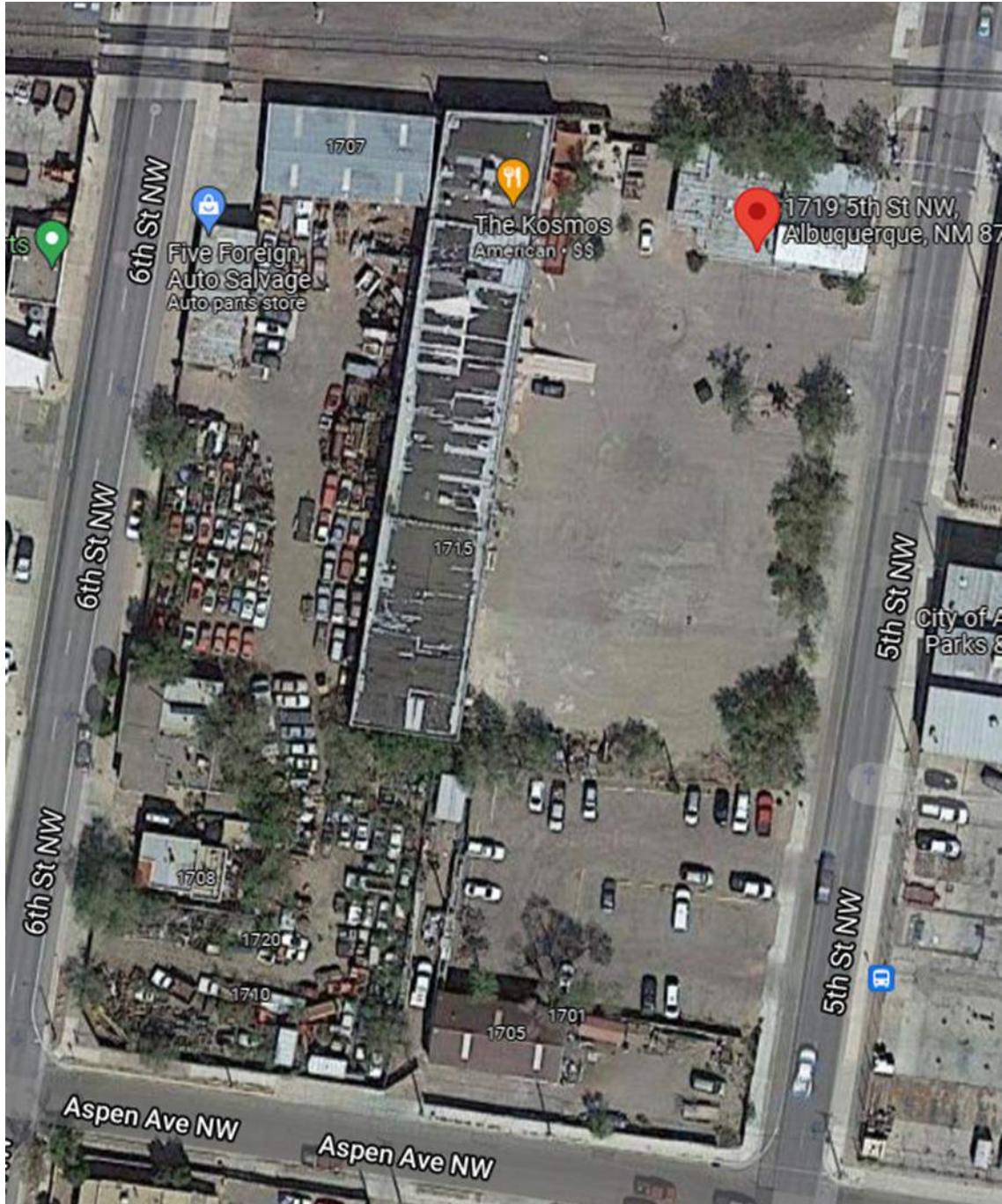
The project also conforms to the City's Economic Development strategies:

Smart Recruitment, Retention, and Expansion – The Economic Development Department (EDD) is focused on recruiting companies from specific industries that build upon Albuquerque's existing assets. The EDD supports new enterprise creation, cluster development, and strategic attraction and recruitment of businesses that align with and complement existing strengths.

2. LAND USE:

New construction of a roughly 16,000 sq ft Automotive restoration facility. The proposed building is metal construction with creative facade to allow it to complement surrounding properties. Current business is successful but has been hampered in growth by lack of suitable shop space. The current restricted shop size impacts the businesses' ability to compete with similar out of state firms. The new facility will allow expansion of the business to meet the current sales demand, allow the hiring of 21 new employees over the next 10 years, allow upholstery work to be brought fully in house and within New Mexico, and ensure the continued viability of the company.

3. INFILL:



The Heritage Driven project requires that all utilities be replaced and upgraded throughout the site. The ownership of the Heritage project will undertake the utility improvements and will do so at their own expense.

4. DESIGN AND CONSERVATION:

The Heritage project will have any exceptional benefit to the community through an array of avenues. The Wells Park community is a historically blighted community in need of gentrification. The project will provide direct private capital investment into the community and

produce a modern-design concept of a dilapidated building and provide the infrastructure for a plethora of local businesses to provide commerce directly in Wells Park. This model will not only develop an underutilized site, but will also have a positive effect on real estate prices in the community and produce a taxable revenue stream that would otherwise not exist in the area.

The project is an extremely low water usage undertaking which will likely have lower consumption than a residential property. Landscaping will consist of hardscape and xeric where appropriate. All fixtures will be low-water use including toilets and faucets.

No individuals, families, or businesses will be displaced by the activities outlined in this plan.

5. RENEWABLE ENERGY:

The company will not create or produce renewable energy from the facility.

III. ECONOMIC BENEFITS

6. COMPETITION:

There are no local companies that could potentially be considered as competitive with Heritage.

7. JOBS:

The salaries for the 21 jobs profiled meet or exceed the average for similar positions within the community.

These employment classifications, salaries, and benefits are more fully detailed below and attached as an exhibit to the application.

Heritage estimates close to 100% of the new permanent jobs will be filled by current Albuquerque residents. No jobs will be relocated from another location. The jobs will exceed the median wages for the industry within the community and will match the skills of current city residents.

During the onboarding process, employees receive general company training as well as position-specific training. The duration of the training can vary and is based on the specific requirements of the position.

8. LOCAL PURCHASES

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 \$12.7 million in taxable sales over the next 10 years.

IV. PROJECT FEASIBILITY

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9. COST/ FEASIBILITY/ FINANCING:

The Heritage Driven project will be capitalized with the following capital structure:

- o Equity - \$185,000 invested by the ownership group
- o Debt - \$785,000 debt facility will be provided by Main Bank
- o Total Project Costs - \$970,000

In addition to the LEDA funds, the total bond amount requested will be \$5,000,000 issued in two series, the first series reflecting the Agenda, LLC project, the second series will reflect the Heritage Driven project.

Funding is subject to City Council approval.

10. DEVELOPER'S RECORD:

Heritage is one of a handful of highly specialized companies in the United States focused on the import, restoration, and modification of classic Land Rover Defender vehicles and has been recognized nationally by specialty publications such as Overland Journal and Alloy & Grit as a leader in these vehicle builds.

Heritage has a demonstrated track record of success and growth. More info can be found at: <https://heritagedriven.com/>

11. EQUITY:

Based upon financial information provided, the company appears capable of managing and completing the project.

12. MANAGEMENT:

Mr. Turner has an extensive background in commercial real estate development/acquisition and commercial property management with over 250,000 sq ft of current commercial property ownership and management. Mr. Taylor has over 15 years in the real estate industry having managed land acquisition/development, commercial property construction, and commercial property management throughout the State of New Mexico.

Based on the description given in the project plan, management appears to be qualified to manage the project.

13. FISCAL IMPACT ANALYSIS

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model.

Figure 3. Annual Fiscal Net Benefits for the Albuquerque

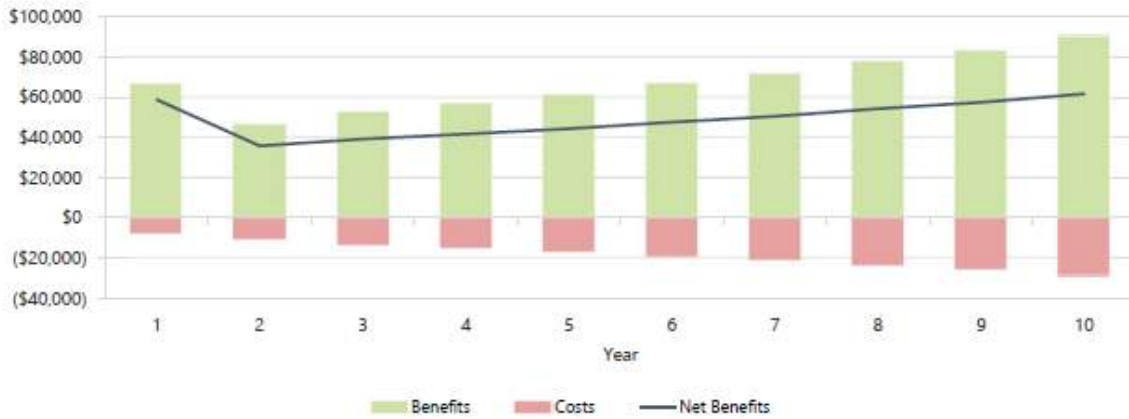


Table 10. Albuquerque: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$431,356
Real Property Taxes - Project	\$43,182
FF&E Property Taxes - Project	\$7,910
Property Taxes - New Residential	\$4,534
Utility Revenue	\$102,167
Utility Franchise Fees	\$12,324
Building Permits and Fees	\$10,000
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$62,204
Subtotal Benefits	\$673,677
Cost of Providing Municipal Services	(\$71,896)
Cost of Providing Utility Services	(\$110,340)
Subtotal Costs	(\$182,237)
Net Benefits	\$491,440
<i>Present Value (5% discount rate)</i>	<i>\$374,502</i>

V. PROJECT PARTICIPATION AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document, which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) **The economic development goals of the project;**
- (2) **The contributions of the City and the qualifying entity;**

- (3) The specific measurable objectives upon which the performance review will be based;**
- (4) A schedule for project development and goal attainment;**
- (5) The security being offered for the City's investment;**
- (6) The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.

The primary terms of the Heritage Project Participation Agreement are summarized and attached as an Exhibit.

1. Goals and Objectives. The goals and objectives of the Project are to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the Project will provide job growth and career opportunities for Albuquerque-area residents and otherwise make a substantive contribution to the community as set forth in this Agreement and in the Heritage Application.
2. Company Contribution. Heritage will construct, renovate and improve the Facility; will fully occupy and operate the Facility and, will continue to use the Facility for work with restoration and modification of classic Land Rover Defender vehicles, including custom fabrication, engineering, custom part design and manufacturing and automotive assembly; and will hire and retain employees as contemplated by this Agreement all in accordance with the schedule and other terms and conditions set forth in this Agreement. Heritage will maintain the Project's operations in Albuquerque for a minimum of ten (10) years. Heritage will comply with all applicable laws in connection with the operation of the Project and will timely pay all personal property taxes with respect thereto.
3. The State Contributions; Procedure for Disbursement of the State Contributions. The City anticipates that the State Contribution of up to \$100,000 will be delivered to the City for subsequent disbursement to Heritage, following enactment of the Heritage LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to Heritage in the manner as follows:

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- a. \$50,000 upon obtaining an Occupancy Permit for the Facility
 - b. \$50,000 for hiring five additional full-time employees bringing total employment to 12.
4. The City Contribution. Pursuant to the Project Ordinance and the LEDA Ordinance, the City has committed the amount of \$15,000 for use in connection with the Project. As required by the LEDA Ordinance, the City will deposit the proceeds of the City Contribution into a clearly identified separate account, which account will be subject to an annual independent audit. City funds will be dispensed upon Heritage obtaining an Occupancy Permit for the Facility and hiring _____ additional full-time employees bringing total employment to _____.
5. Time Commitment. Heritage intends to invest approximately \$1,000,000 for the construction, renovation and improvement of the Facility and completion of the Project. Increased operations at the Facility are expected to begin following completion of construction, renovation and improvements or as soon thereafter as possible. Heritage will continue to occupy the Facility and diligently conduct operations in the Facility in the manner contemplated by this Agreement at least through January 31, 2031.
6. Use of Public Contributions. Heritage will be eligible for reimbursement of up to \$115,000 for costs of the construction, renovation and improvement actually incurred after the date hereof and paid for, subject to the receipt by the City of the State Contribution. The City will make payment to Heritage following submission to the City of documentation reasonably satisfactory to the City evidencing receipt of the Occupancy Permit with respect to the Project, and meeting the occupancy operations, and job creation targets.

No Project funds will be used to reimburse expenses from any individuals or a company that has a financial interest in Heritage or its employees.

7. Job Commitment and Clawbacks.

- A. Number of Jobs. Heritage will increase employment, above the current level of 7 full-time employees, by (i) at least five full-time employees as measured as of close of business on July 31, 2022 for a total employment of 12, (ii) at least four full-time additional employees as measured as of close of business on January 31, 2023 for a total employment of 16, (iii) at least four full-time employees as measured as of close of business on January 31, 2024 for a total employment of 20, (iv) at least two full-time employees as measured as of close of business on January 31, 2025 for a total employment of 22, (v) at least two full-time

employees as measured as of close of business on January 31, 2026 for a total employment of 24, (vi) at least three full-time employees as measured as of the close of business on January 31, 2027 for a total employment of 27, (vii) at least two full-time employees as measured as of the close of business on January 31, 2028 for a total employment of 29, (viii) at least three full-time employees as measured as of the close of business on January 31, 2029 for a total employment of 32, (ix) at least two full-time employees as measured as of the close of business on January 31, 2030 for total employment of 34, (x) at least three full-time employees as measured as of the close of business on January 31, 2031 for total employment of 37, with an increase in employee payroll of approximately \$2,500,000 by January 31, 2031. Thereafter, Heritage will maintain at least 90% of its anticipated total full-time jobs through January 31, 2031 as measured on average for the preceding calendar (January 1-December 31) year on an annual basis beginning January 31, 2023 (the “Jobs”). A Job will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week and offering the employee the full range of benefits offered to other similarly situated Heritage employees from time to time. Positions filled by contract, part-time and temporary workers will not be considered Jobs. All references herein to “employees” mean employees in Jobs as contemplated by this Section 7.A.

B. Wages and Benefits. Heritage anticipates that the Jobs will fall within the wage ranges and will come with the benefits shown on Exhibit B. However, failure to meet the wage and benefit projections shown on Exhibit B or the total estimated increase set forth in Section 7.A. shall not constitute an Event of Default (defined below) or form the basis for any clawback payment.

C. Performance Clawbacks. It is Heritage’s intent to create and sustain the number of Jobs at the Facility set forth in the table below under the column captioned “Annual Full Time Job Creation Target” at the end of each of the Job Determination Periods as set forth below (a “Job Target”). If Heritage does not achieve the Minimum Full-Time Job Creation set forth in the table below on or before the conclusion of each of the specified Job Determination Periods (or the required average for years 6-10) described below (and after expiration of the applicable Cure Period (as defined below)), then Heritage shall be required to pay a Clawback Penalty (as defined below) to the City which will be applied in the percentage set forth in the table below:

		Job Creation Commitment and Schedule				
Year	Annual Full Time Job Creation Target	Minimum Full-Time Job Creation	Cumulative Payroll for New Jobs	Job Determination Period		%-Clawback
1	7+5=12	7+5=12	\$566,800	Ordinance Date	4/30/22	100%
2	12+4=16	12+4=16	\$849,056	05/01/22	1/31/23	100%

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3	16+4=20	16+3=19	\$1,152,986	01/01/23	1/31/24	100%
4	20+2=22	19+2=21	\$1,339,489	01/01/24	1/31/25	100%
5	22+2=24	21+2=23	\$1,539,067	01/01/25	1/31/26	75%
6	24+3=27	23+3=26	\$1,828,387	01/01/26	1/31/27	50%
7	27+2=29	26+2=28	\$2,059,434	01/01/27	1/31/28	50%
8	29+3=32	28+2=30	\$2,388,153	01/01/28	1/31/29	25%
9	32+2=34	30+2=32	\$2,654,478	01/01/29	1/31/30	25%
10	34+3=37	32+2=34	\$3,027,102	01/01/30	1/31/31	25%
Total	7 + 30 = 37					
Notes: Starting Headcount 7 as of 1/31/2022 as defined by ES903A or its						
equivalent shown as Exhibit B						

For the purposes of this table:

(i) The “Clawback Penalty” is a penalty that Heritage will be required to pay to the City upon Heritage’s failure to meet the Job Target on or before the conclusion of the applicable Job Determination Period, if such Job Target is not otherwise reached by Heritage during the Cure Period. The Clawback Penalty shall be equal to the product of the Percentage Hiring Shortfall (as defined herein), multiplied by the total amount of funds paid under this Agreement to Heritage as of that time. For purposes of this subsection, the “Percentage Hiring Shortfall” shall be the quotient of (i) the Minimum Full-Time Job Creation for the applicable Job Determination Period, minus the actual number of jobs Heritage maintains at the Facility at that time, divided by (ii) the Minimum Full-Time Job Creation for the applicable Job Determination Period. See Exhibit D hereto for examples of Clawback Penalty Calculations. Notwithstanding anything herein to the contrary, in no event shall the aggregate Clawback Penalty paid by Heritage exceed the total amount of funds paid under this Agreement.

(ii) “Cure Period” is the period of 180 days after the end of each Job Determination Period during which time Heritage shall have the opportunity to cure any shortfall in meeting the Minimum Full-Time Job Creation. For the avoidance of doubt, if Heritage meets the Minimum Full-Time Job Creation at any time during the Cure Period, Heritage shall have no obligation to pay a Clawback Penalty corresponding to the applicable Job Determination Period. If Heritage fails to reach the Job Target during the Cure Period, the Heritage shall pay the City a Clawback Penalty determined in accordance with the table set forth above.

(iii)A “Job” means a permanent, full-time employment position (at least 32 hours per week) offering the employee the full range of benefits offered to other full-time employees of Heritage, each with a minimum average salary determined for each annual period as follows:

Notwithstanding the foregoing, if Heritage fails to employ the required full-time employees as identified in Section 7.A herein, and believes Business Climate Changes were the cause for its failure to meet such requirements, Heritage will so advise the City in writing describing the Business Climate Changes in detail. “Business Climate Changes” mean substantial changes outside of the control of Heritage, in the segment of the manufacturing industry in which Heritage operates, that cause a significant decrease in the amount of sales Heritage is able to achieve. The shifting of Heritage’s operations to another Project, whether within or outside of Albuquerque, will not constitute a Business Climate Change.

If the City determine that Business Climate Changes affect Heritage’s ability to maintain employment levels, it may waive or modify the Performance Clawback, but only related to the City Contribution and the City shall consult with the State EDD as to any potential waiver of the Performance Clawback or a portion thereof related to the State Contribution. Any Performance Clawback due will be paid within 30 days after the City notifies Heritage of its decision or the decision of the State EDD. If Heritage does not attribute the failure to meet employment requirements to Business Climate Changes, the payment of any Performance Clawback due will be submitted to the City within ten (10) days after the due date of the annual report reflecting the failure to maintain the required employment level.

D. Project Closure Clawback. Should Heritage cease operation, or notify the City of its intent to cease operation, of the Project (i.e., cease to conduct operations at the Project) before December 31, 2031, Heritage shall, within ninety (90) days of the cessation of operations, pay to the City, in cash, an amount equal to a specified percentage of the amount of the City Contribution and State Contribution paid pursuant to this Agreement, with the specific percentage based on the date of cessation of operations in accordance with the following table (each percentage inclusive of any Performance Clawback already paid by Heritage):

Date of Cessation of Operations	Percent of Public Contributions to be Repaid
On or before December 31, 2026	100%
From January 1, 2027 through December 31, 2029	60%
From January 1, 2030 through December 31, 2031	25%

Winding down of the Company's operations at the Project in preparation for a cessation of operations may be considered a cessation of operations, and any such determination will be made by the City in its sole reasonable discretion.

E. Maximum Clawback; Unpaid Payments. Notwithstanding anything herein to the contrary, the maximum aggregate clawback and reimbursement payable hereunder will be \$115,000, not including interest. Any clawbacks not paid when due shall bear interest at the Prime Rate plus 2% per annum from the due date until paid. "Prime Rate" means the U.S. prime rate as reported from time to time in *The Wall Street Journal* in its Bonds, Rates and Yields table, or successor table.

8. Security. To secure the performance of its obligations under this Agreement, prior to the payment of any portion of the State Contribution or the City Contribution to Heritage, Heritage shall provide the City an acceptable form of security in favor of the City in the form of (i) an annually renewable surety bond/letter of credit; and/or (ii) UCC financing statement in a form and with collateral of a type and of a value reasonably acceptable to the City. If Heritage chooses to provide an annually renewable surety bond/letter of credit, non-renewal from the surety company/bank does not constitute a claim under the surety bond or letter of credit, as applicable. The amount of the security posted will be equal to the amount of funds provided by the State and the City or the liability of the clawbacks as provided in Section 7, herein, whichever is less.

9. Events of Default and Remedies.

A. Failure to Comply With Obligations. Failure by Heritage to comply with any obligation under this Agreement, including without limitation, the failure to make timely payment of any clawback payment due hereunder, shall be an Event of Default. Notwithstanding the foregoing, failure to meet employment projections or failure to meet wage and benefit projections shall not be considered an Event of Default; however, the failure to make timely payment of any clawback payment due as a result thereof shall be an Event of Default.

B. Notice of Event of Default. If any Event of Default occurs, the City shall notify Heritage in writing, and Heritage shall have thirty (30) days in which to cure such Event of Default. If the Event of Default is not cured within such thirty-day period, the City shall have and may exercise any remedies available at law or in equity.

10. Fees. Heritage will promptly pay or reimburse the City for all reasonable third-party expenses incurred by the City in connection with this Agreement and the Project, provided, however, that Heritage shall not be liable for costs incurred by the City that are the responsibility of the City in the ordinary course of business. If so determined by the City, in its sole discretion, such third-party expenses may be offset against or reimbursed from the City Contribution or the State Contribution. Although the City does not anticipate incurring significant third party expenses during the term of this Agreement, such expenses could include, without limitation, expenses associated with performance reviews or audits with respect to the Project and legal fees for outside counsel in the event of any proposed

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amendment to this Agreement or any necessary enforcement action with respect to this Agreement.

11. Reporting Requirement, Performance Review and Termination. Quarterly, on or before each January 31, April 30, July 31 and October 31, Heritage will provide to the City and to State EDD the company's 903A or its equivalent filed with New Mexico's Department of Workforce Solutions for the previous quarter regarding its workforce and such other information necessary for the City or its independent contractor to determine whether Heritage has met its obligations under this Agreement. As required by the LEDA Ordinance, the Project will be subject to an annual performance review conducted by City staff, which will evaluate whether the Project is attaining the requirements of this Agreement. This review shall be presented to the City administration and the City Council. If the requirements of this Agreement are not being satisfied, the City Council at a public hearing may cause the enforcement of this Agreement, including the right of the City to any Performance Clawbacks and other remedies set forth herein. In addition, pursuant to LEDA, if Heritage has ceased operations and paid all amounts due to the City as provided herein, the City may enact an ordinance terminating the LEDA Ordinance.

FINDINGS:

1. LEDA 22-1 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. LEDA 22-1 would make positive substantive contributions to the local economy and community by creating 15 base jobs; and
3. Subject to the development of acceptable security documents, LEDA 22-1 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including remaining in operation for 10 years; and
4. Subject to the development of acceptable security documents, LEDA 22-1 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects, including the requirement that the City recoup the value of its investment within 10 years.

STAFF RECOMMENDATION:

Based on the above findings, staff recommends approval of LEDA 22-1 as proposed in the project plan application.

Economic Development Department

EXECUTIVE SUMMARY

A REPORT OF THE ECONOMIC IMPACT OF HERITAGE DRIVEN HEADQUARTERS IN ALBUQUERQUE, NM

May 28, 2021

Prepared by:

Joel Salas

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 Albuquerque 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

Heritage Defender is one of a handful of highly specialized companies in the United States focused on the import, restoration, and modification of classic Land Rover Defender vehicles and has been recognized nationally by specialty publications such as Overland Journal and Alloy & Grit as a leader in these vehicle builds. The work involves custom fabrication, engineering, custom part design and manufacturing and automotive assembly.

The company is seeking to construct a modern, purpose-built, fabrication, light manufacturing, and restoration facility in the Wells Park neighborhood of Albuquerque which will be integrated into the redevelopment of an adjacent property. This part of town desperately needs quality infill and investment. The business is successful with 100% of its sales coming from outside the State of New Mexico. However, growth has been hampered by the lack of suitable facility space in the metropolitan area which has also impacted the ability to compete with similar out of state firms. The new facility will allow expansion of the business to meet the current sales demand and allow the company to hire at least 21 new trade-focused employees from the community over the next 10 years. Many of these jobs will provide opportunities and training for low/moderate income residents. The company has no competitors in the state or region.

Existing & Expanded Operations

The Project under analysis represents the expansion of an existing company in the Albuquerque. The existing operations currently support 7.0 direct jobs in the community and 3.0 indirect and induced jobs. The direct workers earn \$35,000 per year and the company supports \$0.3 million per year in taxable sales and spending in the community. Additionally, the company supports taxable property valued at \$0.0 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	\$6,052,572	\$16,274,221	\$22,326,792
Indirect & Induced	\$4,010,434	\$10,783,299	\$14,793,733
Total	\$10,063,006	\$27,057,519	\$37,120,525
Jobs			
Direct	7.0	30.0	37.0
Indirect & Induced	3.0	13.1	16.1
Total	10.0	43.1	53.1
Salaries			
Direct	\$2,682,683	\$13,941,701	\$16,624,384
Indirect & Induced	\$1,126,190	\$5,852,726	\$6,978,916
Total	\$3,808,873	\$19,794,427	\$23,603,300
Taxable Sales			
Direct	\$2,912,562	\$11,340,575	\$14,253,137
Indirect & Induced	\$253,409	\$1,316,946	\$1,570,354
Total	\$3,165,971	\$12,657,521	\$15,823,492

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	\$323,067	\$2,003,291	\$2,326,357
Albuquerque	\$119,043	\$491,440	\$610,483
Bernalillo County	\$38,739	\$195,805	\$234,544
Albuquerque Public Schools	\$376	\$133,170	\$133,546
Special Taxing Districts	\$388	\$50,231	\$50,619
Total	\$481,614	\$2,873,937	\$3,355,550

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

Economic Impact Overview

The Project's operations will support employment and other economic impacts in the state. The 30.0 workers directly employed by the Project will earn approximately \$62,000 per year initially. This direct activity will support 13.1 indirect and induced workers in the state earning \$59,000 on average. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately \$19.8 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 \$12.7 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	\$16,274,221	\$10,783,299	\$27,057,519
Number of permanent direct, indirect, and induced jobs to be created	30.0	13.1	43.1
Salaries to be paid to direct, indirect, and induced workers	\$13,941,701	\$5,852,726	\$19,794,427
Taxable sales and purchases	\$11,340,575	\$1,316,946	\$12,657,521

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 24.0% of the new direct workers may be new residents to Bernalillo 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	7.3	1.9	9.2
Number of new residents in the County	19.0	5.0	24.0
Number of new residential properties to be built in the County	0.9	0.2	1.1
Number of new students expected to attend local school district	3.9	1.0	4.9

The Project is estimated to support an average of approximately \$0.4 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					Subtotal Nonresidential Property	Total Residential & Nonresidential Property
	New Residential Property	Land	Buildings & Other Real Prop. Improvements	Furniture, Fixtures, & Equipment			
1	\$6,477	\$50,667	\$291,667	\$83,333		\$425,667	\$432,143
2	\$13,212	\$51,680	\$297,500	\$81,667		\$430,847	\$444,059
3	\$20,215	\$52,714	\$303,450	\$79,333		\$435,497	\$455,712
4	\$27,492	\$53,768	\$309,519	\$76,333		\$439,620	\$467,113
5	\$35,053	\$54,843	\$315,709	\$72,667		\$443,219	\$478,272
6	\$42,905	\$55,940	\$322,024	\$68,333		\$446,297	\$489,202
7	\$51,056	\$57,059	\$328,464	\$63,333		\$448,856	\$499,913
8	\$59,517	\$58,200	\$335,033	\$57,667		\$450,900	\$510,417
9	\$68,296	\$59,364	\$341,734	\$51,333		\$452,431	\$520,727
10	\$77,402	\$60,551	\$348,569	\$52,667		\$461,787	\$539,189

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

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

Temporary Construction Impact

The Project will include an initial period of construction lasting 1 year(s) where \$0.9 million will be spent to construct new buildings and other real property improvements. It is assumed that 50.0% of the construction expenditure will be spent on materials and 50.0% on labor. The temporary construction activity will support temporary economic impacts in the community in the form of temporary construction employment and sales for local construction firms.

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

			Amount
Total construction expenditure			\$875,000
	<i>Materials</i>	\$437,500	
	<i>Labor</i>	\$437,500	
Temporary Construction Workers Supported (Average Earnings = \$54,900)			8

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

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

	Direct	Indirect & Induced	Total
Number of temporary direct, indirect, and induced job years to be supported*	8.0	5.4	13.4
Salaries to be paid to direct, indirect, and induced workers	\$437,500	\$214,594	\$652,094
Revenues or sales for businesses related to construction	\$875,000	\$727,475	\$1,602,475

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

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

Table 7. Construction-Related Taxable Spending

	Estimate
Expenditure for Materials	\$437,500
Percent of Materials subject to local gross receipts tax	75.0%
Subtotal Taxable Materials	\$328,125
Expenditure for Labor / Paid to construction workers	\$437,500
Percent of gross earnings spent on taxable goods and services	24.0%
Percent of taxable spending done locally	25.0%
Subtotal Taxable Construction Worker Spending	\$26,250
Expenditure for Furniture, Fixtures, & Equipment (FF&E)	\$250,000
Percent of FF&E subject to local gross receipts tax	25.0%
Subtotal Taxable FF&E Purchases	\$62,500
Total Construction-Related Taxable Spending	\$416,875

The above construction analysis focuses on the impact resulting from the Project's initial construction investments over the first 1 year(s).

Fiscal Impact Overview

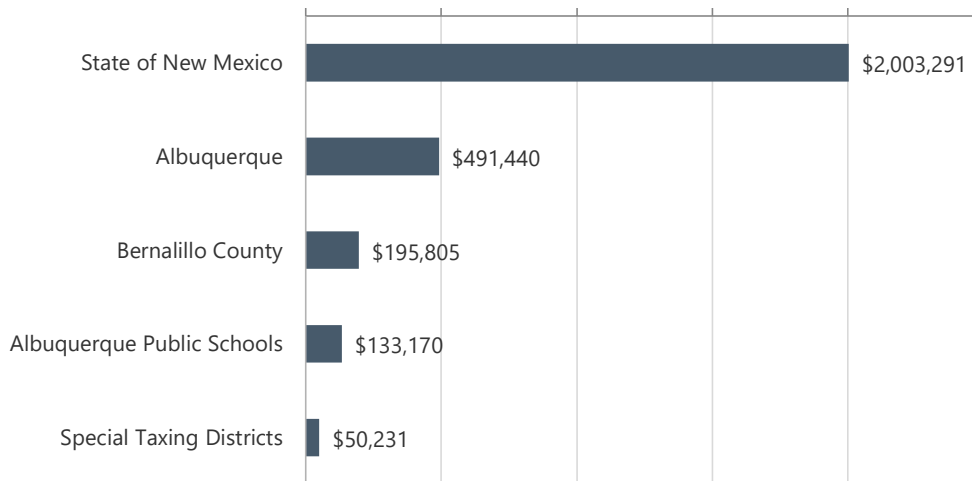
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$491,400 in net benefits over the 10-year period and the Project will generate \$2,873,900 in total for all local taxing districts.

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

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	\$2,807,868	(\$804,578)	\$2,003,291	\$1,464,837
Albuquerque	\$673,677	(\$182,237)	\$491,440	\$374,502
Bernalillo County	\$231,996	(\$36,191)	\$195,805	\$148,864
Albuquerque Public Schools	\$252,716	(\$119,547)	\$133,170	\$96,728
Special Taxing Districts	\$50,231	\$0	\$50,231	\$38,424
Total	\$4,016,488	(\$1,142,552)	\$2,873,937	\$2,123,356

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

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



State of New Mexico

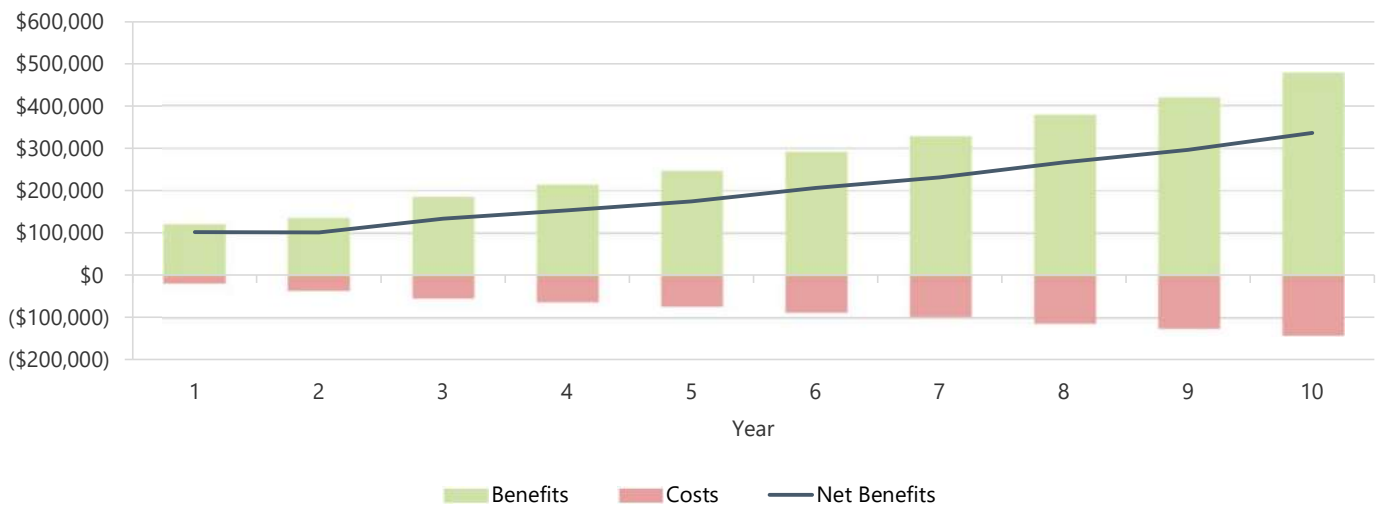
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the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

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

	Amount
Gross Receipts Taxes	\$493,643
Real Property Taxes - Project	\$5,098
FF&E Property Taxes - Project	\$934
Property Taxes - New Residential	\$546
Personal Income Taxes	\$1,045,953
Corporate Income Taxes	\$3,375
Miscellaneous Taxes & User Fees	\$1,258,320
Subtotal Benefits	\$2,807,868
Cost of Providing State Services	(\$804,578)
Subtotal Costs	(\$804,578)
Net Benefits	\$2,003,291
<i>Present Value (5% discount rate)</i>	<i>\$1,464,837</i>

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

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



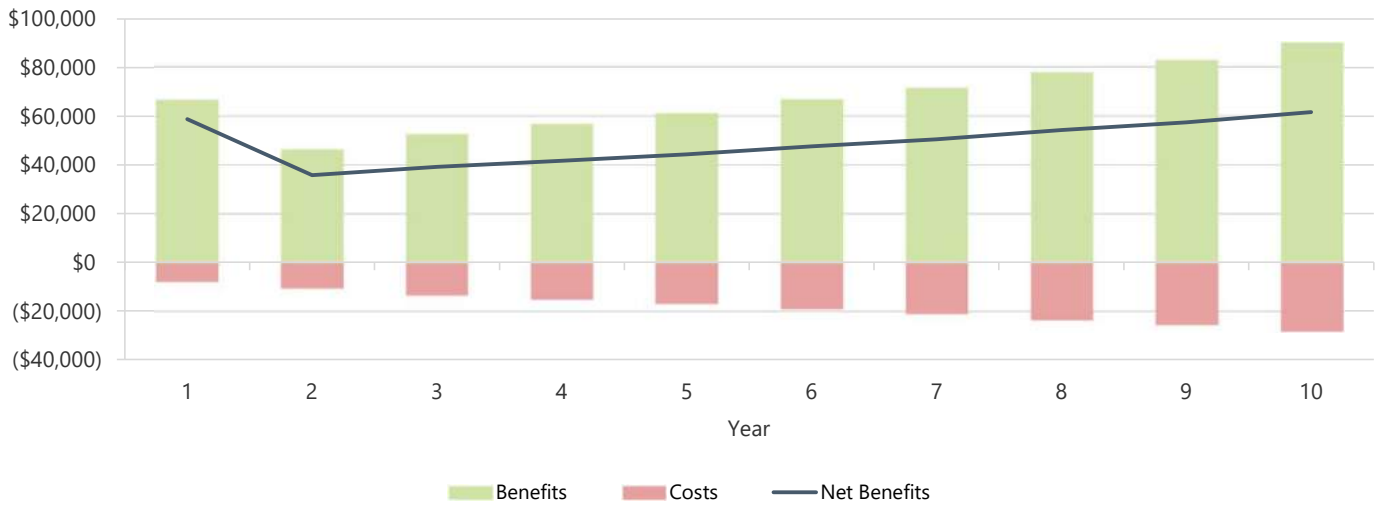
Albuquerque

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

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

	Amount
Gross Receipts Taxes	\$431,356
Real Property Taxes - Project	\$43,182
FF&E Property Taxes - Project	\$7,910
Property Taxes - New Residential	\$4,534
Utility Revenue	\$102,167
Utility Franchise Fees	\$12,324
Building Permits and Fees	\$10,000
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$62,204
<u>Subtotal Benefits</u>	<u>\$673,677</u>
Cost of Providing Municipal Services	(\$71,896)
Cost of Providing Utility Services	(\$110,340)
<u>Subtotal Costs</u>	<u>(\$182,237)</u>
Net Benefits	\$491,440
<i>Present Value (5% discount rate)</i>	<i>\$374,502</i>

Figure 3. Annual Fiscal Net Benefits for the Albuquerque



Bernalillo County

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

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

	Amount
Gross Receipts Taxes	\$142,429
Real Property Taxes - Project	\$45,817
FF&E Property Taxes - Project	\$8,393
Property Taxes - New Residential	\$4,052
Building Permits and Fees	\$0
Miscellaneous Taxes & User Fees	\$31,305
<u>Subtotal Benefits</u>	<u>\$231,996</u>
Cost of Providing County Services	(\$36,191)
<u>Subtotal Costs</u>	<u>(\$36,191)</u>
Net Benefits	\$195,805
<i>Present Value (5% discount rate)</i>	<i>\$148,864</i>

Albuquerque Public Schools

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

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

	Amount
Real Property Taxes - Project	\$42,462
FF&E Property Taxes - Project	\$7,779
Property Taxes - New Residential	\$4,252
State Equalization Guarantee	\$198,223
<u>Subtotal Benefits</u>	<u>\$252,716</u>
Cost of Educating New Students	(\$119,547)
<u>Subtotal Costs</u>	<u>(\$119,547)</u>
Net Benefits	\$133,170
<i>Present Value (5% discount rate)</i>	<i>\$96,728</i>

Benefits for Other Taxing Districts

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

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

	Amount
Real Property Taxes - Project	\$38,984
FF&E Property Taxes - Project	\$7,141
Property Taxes - New Residential	\$4,106
Benefits	\$50,231
<i>Present Value (5% discount rate)</i>	<i>\$38,424</i>

State Incentives

The state is considering the following incentives for the Project.

Table 21. State Incentives Under Consideration

Year	LEDA, JTIP, MIJTC, HWJTC
1	\$435,421
2	\$0
3	\$0
4	\$0
5	\$0
6	\$0
7	\$0
8	\$0
9	\$0
10	\$0
Total	\$435,421

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.

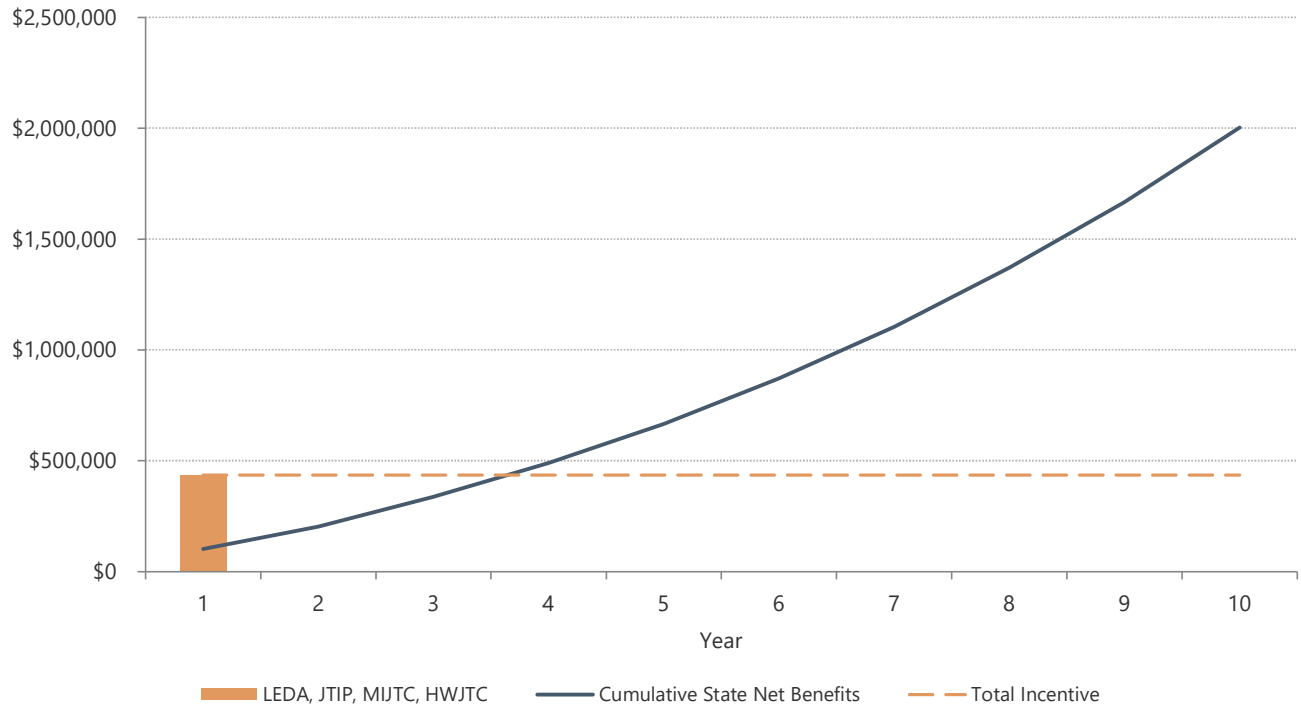
Table 22. Analysis of State Incentives

Total State Incentives	\$435,421
Incentives Per Job	\$14,514
Rate of Return	46.0%
Payback period (years)	3.6

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



LEDA \$100,000
JTIP \$202,605
MIJTC \$11,531
HWJTC \$121,285
Total \$435,421

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)	1.2153	1.2870	1.4336
Earnings Multiplier	(Type II Direct Effect)	1.2084	1.2779	1.4198

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.

FY22 LEDA Application-ABQ

Applicant	Doug Turner
Applicant ID	APP-014987
Company Name	Heritage Driven LLC
Phone	(917) 369-0382
Email	dwtturner@agenda-global.com
Status	Submitted
LEDA Starting Job Count	7
LEDA PPA Job Count Target	17

Contact Information

Question: Legal Company Name

Heritage Driven LLC

Question: Trade Name (dba)

Not Answered

Question: Project Name

Not Answered

Question: Company Street Address

701 Central Ave NW

Question: Company City

Albuquerque

Question: Company State

NM

Question: Company Zip

87104

Question: Phone

(505) 888-5877

Question: Website

Not Answered

Question: Primary Contact Person First Name

Doug

Question: Primary Contact Person Last Name

Turner

Question: Federal Tax ID #

811116467

Question: NM State Tax and Revenue Identification Number

03347273004

Question: City/County Business License Registration will be pursued

Yes

No

Question: NAICS Code(s)-North American Industry Classification System

33611

Question: DUNS # (preferred but not required)

Not Answered

Question: This Business is organized as a:

C-Corporation

S-Corporation

LLC

Partnership

Sole Proprietorship

B-Corporation

Question: Incorporation Papers

No Attachments

Question: Resumes of all principals (owners, partners, directors or officers; required for businesses 1 years or younger)

[210111_DWT_local Resume.docx](#) (9/21/2021 2:27 PM)

Question: Company Contact for Project Administration (if different from above)

Not Answered

Question: Title

Not Answered

Question: Telephone

Not Answered

Question: Cell Phone

Not Answered

Question: Email

Not Answered

Project Information

Please include detailed information such as:

- Executive Summary; Business description and history
- Infrastructure Development/Needs
- Market analysis and strategy
- Summary of competition
- Tax Reporting Status
- Effect on Existing Industry and Commerce during and after Construction
- Land Acquisition

- Local Purchasing
- Water Conservation
- Relocation of Individuals or Businesses
- Construction Schedule
 - Target Close Date
 - General Contract Signed
 - Construction Start
 - Construction End
 - New Facility Operational Date
- Operations plan; Organizational chart
- Any document or record that the local governing body, in its sole discretion, deems necessary.

Question: Description of the Proposed Development, its product and its timeline.

Heritage Defender is one of a handful of highly specialized companies in the United States focused on the import, restoration, and modification of classic Land Rover Defender vehicles and has been recognized nationally by specialty publications such as Overland Journal and Alloy & Grit as a leader in these vehicle builds. The work involves custom fabrication, engineering, custom part design and manufacturing and automotive assembly.

The company is seeking to construct a modern, purpose-built, fabrication, light manufacturing, and restoration facility in the Wells Park neighborhood of Albuquerque which will be integrated into the redevelopment of an adjacent property. This part of town desperately needs quality infill and investment. The business is successful with 100% of its sales coming from outside the State of New Mexico. However, growth has been hampered by the lack of suitable facility space in the metropolitan area which has also impacted the ability to compete with similar out of state firms. The new facility will allow expansion of the business to meet the current sales demand and allow the company to hire at least 21 new trade-focused employees from the community over the next 10 years. Many of these jobs will provide opportunities and training for low/moderate income residents. The company has no competitors in the state or region.

Question: Provide a detailed scope of work that is specific to the funding request/award and what the funds will be used for.

The company is seeking to construct a modern, purpose-built, fabrication, light manufacturing, and restoration facility in the Wells Park neighborhood of Albuquerque which will be integrated into the redevelopment of an adjacent property. This part of town desperately needs quality infill and investment. The business is successful with 100% of its sales coming from outside the State of New Mexico. However, growth has been hampered by the lack of suitable facility space in the metropolitan area which has also impacted the ability to compete with similar out of state firms. The new facility will allow expansion of the business to meet the current sales demand and allow the company to hire at least 21 new trade-focused employees from the community over the next 10 years. Many of these jobs will provide opportunities and training for low/moderate income residents. The company has no competitors in the state or region.

Question: Business Plan (required for businesses 1 year or younger)

Not Answered

Question: Supporting Documentation

[Heritage-EIA-Executive Summary.pdf](#) (9/29/2021 2:04 PM)

Financial Information

*Upload sources and uses chart; enter N/A and zero for questions that do not apply to your business

Question: Provide detailed assumptions for your project including three years of projected cash flow income statements. If the applicant has been in business less than one year, you may be requested to provide additional financial information after review .

[Heritage Projected cash flow increase.xlsx](#) (9/21/2021 2:41 PM)

Question: Provide financial statements (balance sheet, profit and loss and cash flow) or tax returns for the past three years. Also provide interim statements within 90 days of application date.

[BalanceSheetYTD.pdf](#) (9/21/2021 2:44 PM)

[CashFlowsYTD.pdf](#) (9/21/2021 2:44 PM)

[P&LYTD.pdf](#) (9/21/2021 2:44 PM)

[P&L20.pdf](#) (9/21/2021 2:44 PM)

[P&L19.pdf](#) (9/21/2021 2:43 PM)

[P&L18.pdf](#) (9/21/2021 2:43 PM)

[CashFlows20.pdf](#) (9/21/2021 2:43 PM)

[CashFlows19.pdf](#) (9/21/2021 2:43 PM)

[CashFlows18.pdf](#) (9/21/2021 2:42 PM)

[BalanceSheet20.pdf](#) (9/21/2021 2:42 PM)

[BalanceSheet19.pdf](#) (9/21/2021 2:42 PM)

[BalanceSheet18.pdf](#) (9/21/2021 2:36 PM)

Question: What is the collateral/security to be pledged to the funds awarded?

- Letter of Credit
- Surety Bond
- Mortgage Security
- Security Agreement/Escrow
- Security Agreement/Lien

Security Interest/Lien

Question: What is the method of appraisal for stated security (if Security Mortgage or Lien were selected above)?

Commercial Appraisal

Question: What is the equity investment from the applicant?

\$185,000.00

Question: External Equity Investment Sources

Corporate funds

Question: External Equity Investment Amount

\$0.00

Question: City/County Funding Source

unknown

Question: City/County Funding Amount

\$0.00

Question: Bank Loan Source (financial institution names), type (commercial, USDA, SBA 504, etc.), and stage (applied or approved)

Main Bank construction loan

Question: Bank Loans Amount Total

\$785,000.00

Question: Other Loans Source

none

Question: Other Loans Amount

\$0.00

Question: Other Sources

None

Question: Other Sources Amount

\$0.00

Question: Total Project Amount (Sum of above)

\$970,000.00

Question: Supporting financial documentation

No Attachments

Company History and Background

Question: How long has the company been in operation, as of the date of application?

5 years

Question: At the time of this application, how many full-time employees do you currently employ? Please provide the most recent Department of Workforce Solutions report below. If no employees, disregard report. Enter 0.

7.00

Question: List owners with more than 20% ownership stake in the company. Additionally, please list principal directors and/or officers.

Doug Turner - 67% ownership
Chris Taylor 33% ownership

Question: Are owners and/or officers current with financial obligations/payments to the State of New Mexico or any other Federal or State entity? If no, please explain.

Yes

Question: Does the applicant have any loans or other financial obligations on which payments are not current? If yes, please explain.

No

Question: Please identify any financially affiliated/associated companies in which any of the applicant's owners have a 20% stake.

Heritage Driven LLC has the same ownership structure and similar sources of equity as Agenda Global LLC

Community Aspects

Question: At the community level, what are the infrastructure needs not yet in place or in process that will affect this project's application?

None

Question: What specific incentives are being REQUESTED from the COMMUNITY? Please explain where the applicant is in this process and provide an idea of a timeline for incentives' deployment.

Heritage Driven LLC is requesting LEDA participation as well as the issuance of an Industrial Revenue Bond. The Industrial Revenue Bond will be issued in two (2) series with an affiliate company that include Heritage Driven LLC as one recipient of the bond. The aggregate bond amount is projected to be \$5,000,000. Both incentives are preparing the final application to be submitted before 10/01/2021.

Question: What specific incentives will be PROVIDED from the COMMUNITY? (e.g. parcel of land, building lease, waiver of fees, utility access/extension)?

None

Job Creation / Performance

Please download the job creation worksheet to work up the required information for this section.

- [Job Creation Worksheet](#)

Question: Outline the number and types of jobs to be created.

24 jobs saved or created. Automotive techs, project manager, fabrication techs, salespersons, and back office administration.

Question: Outline the proposed pay scale and payroll proposed by the entity.

10 new jobs in the \$45k to \$60k range. 7 new jobs in the \$60-\$90k range.

Question: Outline the benefits offered to the employees, including but not limited to health care and retirement.

PTO, partial paid health care, on the job training, out of town seminars and training opportunities.

Question: Outline any efforts being made or proposed by the applicant to hire people within the local employment pool.

What is unique about the Heritage Defender expansion project is that the jobs that will be created require highly skilled mechanical and fabrication skills but do not require university level education. We will be able to provide well paid employment as well as opportunities to gain highly sought-after experience through on-the-job training. To this end, Heritage is in

discussions with Tracy Hartzler of CNM to either identify intern or training programs that could help identify future staff and provide avenues for specialty training.

Question: Attach job creation worksheet

[Job creation worksheet Heritage.xlsx](#) (9/21/2021 3:27 PM)

Question: Starting Headcount (from worksheet above)

7.00

Question: Total new jobs to be created Year 1 (from worksheet above)

5.00

Question: Total new payroll Year 1 (from worksheet above)

\$280,800.00

Question: Total number of new jobs to be created Year 2 (from worksheet above)

4.00

Question: Total new payroll Year 2 (from worksheet above)

\$249,600.00

Question: Total number of new jobs to be created Year 3 (from worksheet above)

4.00

Question: Total new payroll Year 3 (from worksheet above)

\$249,600.00

Economic Impact Analysis

NMEDD will perform an Economic Impact Analysis to address the impact to the local tax base, the school system, etc. using the Impact Data Sheet provided by the applicant.

Question: Outline any impacts to the environment, positively or negatively.

Exciting growth opportunity for local car manufacturer with essentially 100% sales out-of-state. Non-college degree job opportunities with career pathways developed by the company and CNM.

What is unique about the Heritage Defender expansion project is that the jobs that will be created require highly skilled mechanical and fabrication skills but do not require university level

education. We will be able to provide well paid employment as well as opportunities to gain highly sought-after experience through on-the-job training. To this end, Heritage is in discussions with Tracy Hartzler of CNM to either identify intern or training programs that could help identify future staff and provide avenues for specialty training.

Attachments

Please download the authorization for examination and release of information template and the example employer quarterly wage and contribution report.

- [Authorization for examination and release of information form](#)
- [Employer quarterly wage and contribution report example](#)

If you are a new business, please apply for a NM Tax Identification Number here:

<http://www.tax.newmexico.gov/Businesses/wage-withholding-tax.aspx>

Please download the LEDA Application Affirmation Template here:

[LEDA Application Affirmation Template](#)

[Click here](#) to view a filled out sample.

Question: New Mexico Economic Development Department authorization for examination and release of information.

[SignedAuthorization for examination and release of information.pdf](#) (9/21/2021 3:36 PM)

Question: Latest New Mexico employer's quarterly wage and contribution report submitted to the Department of Workforce Solutions.

[6.30.21 NMQTDSUI_210701_115008.pdf](#) (9/21/2021 3:37 PM)

Question: Affirmation and any other supporting documents

[Leda Application Affirmation.pdf](#) (9/21/2021 3:44 PM)

City of Albuquerque Project Information

This section of the NMEDD LEDA Application contains information required by the City of Albuquerque Ordinance 0-04-10 and conforms with and complements the policies established for the Local Economic Development Act pursuant to the Council action. This documentation is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted.

Question: Project Supporting Documents: City Zone Atlas Map of Location, aerial/satellite picture of area, conceptual overview of finished location, Fiscal Impact Analysis from UNM BBER (if requested by City ED Director), Conceptual Site Plan and Elevation.

[Heritage Property.png](#) (9/28/2021 4:46 PM)

[Heritage-EIA-Executive Summary.pdf](#) (9/28/2021 4:42 PM)

Question: General Description-Statement of benefit to be gained by the Albuquerque community from this development

What is unique about the Heritage Defender expansion project is that the jobs that will be created require highly skilled mechanical and fabrication skills but do not require university level education. We will be able to provide well paid employment as well as opportunities to gain highly sought-after experience through on-the-job training. The project is located in the Wells Park neighborhood of Albuquerque and will be integrated into the redevelopment of an adjacent property. This part of town desperately needs quality infill and investment. The business is successful with 100% of its sales coming from outside the State of New Mexico. However, growth has been hampered by the lack of suitable facility space in the metropolitan area which has also impacted the ability to compete with similar out of state firms. The new facility will allow expansion of the business to meet the current sales demand and allow the company to hire new trade-focused employees from the community.

The Project's operations will support employment and other economic impacts in the state. The 30.0 workers directly employed by the Project will earn approximately \$62,000 per year initially. This direct activity will support 13.1 indirect and induced workers in the state earning \$59,000 on average. The total additional payroll or workers' earnings associated with the Project is estimated to be approximately \$19.8 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 \$12.7 million in taxable sales over the next 10 years.

Question: Site and Existing Conditions: Legal Description-Give both the precise and complete legal description and address or identification of location.

1701 5th St Nw, Albuquerque, NM 87102. The site is more particularly described as Lot number One (1) of Block numbered Three(3) of the IVES ADDITION a subdivision of a tract of land in Bernalillo County, New Mexico as the same is shown and designated on the map of said subdivision, filed in the Office of the County Clerk of Bernalillo County, New Mexico, on February 7, 1972, in Plat Book C2, Page 34, (.032 acres, more or less).

Question: Prevailing Site Conditions: Describe the present use and development of the site, including any improvements, vacant land, etc.

Vacant land.

Question: Present Assessed Value: According to the Bernalillo County Assessor's office.

Not on rolls - previously owned by City

Question: Present Zoning of Property

NR-LM

Question: Proposed Zoning: If change in zoning is required for the proposed use, enter the proposed new zone.

Not Answered

Question: Status of Permitting/Regulatory matters needed for project.

No building permits yet submitted.

Question: Sustainability Initiatives: Describe any sustainability initiatives or programs the company already has and/or plans to use in its facility operations and processes.

Building designed to use low energy use lighting, HVAC, and water use reducing fixtures. As an active user of raw metals in fabrication, we follow an aggressive recycling program.

Question: Renewable Energy: Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology.

Solar installation is currently being considered for the project.

Question: Products and Process: Will the proposed development generate air, noise or waste pollution or traffic congestion? If so, what plans are in place for the reduction and disposal of waste and/or project emissions?

The project will not generate air, noise or waste pollution or traffic congestion.

Question: Competition: The Development Commission and City Council do not wish to make public funds available for projects with local competition. Describe any competition in the same area of commerce or industry existing in the City.

The company has no competitors in the state or region.

Question: Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business in the City.

We predict over the next 10 years the project will generate over \$16 million in direct economic output within the City as well as nearly \$11 million in indirect economic output. We predict a minimum of 23 direct jobs and another 13 indirect jobs will be created as a result of the project.

Question: Proposed Development: Describe any construction to be undertaken in the project, including square footage, construction type, location of construction on project site.

The company is seeking to construct a modern, purpose-built, fabrication, light manufacturing, and restoration facility. The new building is roughly 14,000 sqft of metal building with an attractive exterior facade. The location is currently vacant land.

Question: Proposed Development: Will existing buildings will be rehabilitated or incorporated in the construction?

The location is currently undeveloped property but will be integrated into a redevelopment plan

which includes rehabilitation of an adjacent 1930's warehouse.

Question: Proposed Development: Detail any demolition required and indicate whether it involves any identified historic properties.

No demolition required.

Question: Infrastructure: Indicate if the project will require any extension or relocation of utility or road systems and if so, what cost sharing agreements have been reached between the applicant and the City.

No extension required.

Question: Area Enhancement: Describe how project design and placement will enhance the area.

The location is currently unused vacant land but is part of a larger redevelopment effort on the same city block. The Wells Park neighborhood is slowly experiencing renewed interest and investment including offices, breweries and the currently planned Ale Trail (connected to the CABQ Rail Trail) which intends to link downtown with the sawmill area around the rail and micro-brewing assets. The Heritage facility will be located along this route and will be visually aligned with other adjacent projects.

Question: Local Purchasing: Provide and estimated annual expenditure on goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

We estimate annual expenditures of \$500,000 per year with an annual increase of 3.5%.

Question: Water Conservation: Estimate average daily and monthly water consumption and include any plans for reduction or re-use of water.

The project is an extremely low water usage undertaking which will likely have lower consumption than a residential property. Landscaping will consist of hardscape and xeric where appropriate. All fixtures will be low-water use including toilets and faucets.

Question: Relocation of Individuals or Businesses: No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation.

None

Question: Corporate Citizenship Policy/Plan: List any company policies/plans regarding community charitable and civic donations and volunteerism.

Heritage intends to continue its efforts to provide internships and vocational training to young people and recent CNM graduates. In addition, the company is always interested in identifying community programs that align with its mission of supporting New Mexico's outdoor lifestyle businesses and activities.

Question: Positive Contributions: List all positive contributions that the project will make to the neighborhood.

The project will contribute to eliminating blighted areas of the Wells Park neighborhood, create active and well illuminated spaces to deter crime and homelessness and improve area property values.

Question: Management: If the project will not be managed by the applicant, who will manage it and does the applicant have any long-range involvement?

The project will be managed by the applicant

Question: Indicate the estimated appraised value of the project after completion.

\$1.2m