

What is LEDA and How Does it Benefit Local Economic Development?

LEDA, the acronym for the New Mexico Local Economic Development Act, is a law that allows the State and Local governments to partner and invest in economic development projects without violating the anti-donation clause of the New Mexico Constitution. This article will explore the key aspects of LEDA, its benefits for local economic development, and address some common misconceptions surrounding its use.

Understanding LEDA

LEDA was created to provide a legal framework for State and Local governments to collaborate with businesses and organizations of all kinds in order to achieve the community's economic goals and plans. It enables these partnerships by allowing the governments to invest in economic development projects without concerns of violating constitutional restrictions.

In Los Alamos County, LEDA has been adopted through a local ordinance, which outlines the process for applying and evaluating project proposals. The ordinance provides a simple and straightforward process, starting with an application made to the County Manager. The application is then evaluated for eligibility under the requirements of the ordinance and State law. A recommendation, along with a cost-benefit analysis, is presented to the County Council for a final decision.

Benefits of LEDA for Local Economic Development

LEDA is a tool for local economic development. By partnering with businesses and organizations, LEDA enables the community to achieve its economic goals/plans more effectively. Here are some key benefits:

1. Progress on Strategic Goals and Plans

LEDA projects should contribute to progress on various strategic goals and plans set by the County. At a high level, these goals include economic vitality, tourism development, and creative district plan implementation. LEDA applications should be evaluated based on their alignment with these goals/plans and the potential to further their progress.

2. Job Retention and Creation

Another benefit of LEDA projects is job retention and creation. These projects have the potential to preserve existing jobs and create new employment opportunities within the community. LEDA applications should provide information about the expected job retention and creation benefits.

3. Tax Base Contributions

LEDA projects can also contribute to increased tax revenues for the local government. This additional revenue can be used to fund public services and infrastructure improvements.

4. Support for Various Business Types

Contrary to a common misconception, LEDA is not limited to technology businesses. While the Act initially excluded retail businesses, the law and local ordinance have been amended to extend the applicability of LEDA to retail and other types of businesses. LEDA offers opportunities for a wide range of entities to partner with the County for economic development projects.

Addressing Misconceptions about LEDA

There are several misconceptions surrounding the use of LEDA that need to be addressed. Let's debunk some of these myths:

1. Eligibility for Retail Businesses

Some believe that LEDA is only applicable to technology businesses and that retail businesses are not eligible. However, this is not true. The law and local ordinance have been amended to include retail and other types of businesses as eligible for LEDA partnerships.

2. Collateral Requirement

Another misconception is that LEDA requires full collateral for governmental financial participation. While collateral is indeed required, there is no objective standard for determining its sufficiency. The County Council has discretion in deciding on the collateral requirements for each application. LEDA was designed as an alternative source of funds, not subject to commercial banking standards.

3. Safeguards for Public Resources

While the ordinance does not define specific "claw back" requirements, it does require a description of the safeguards of public resources to be included in the partnership agreement. The sufficiency of these safeguards is left to the discretion of the County Council, who consider the performance risk inherent in each project.

4. Focus on High-Paying Jobs and Tax Base Expansion

There is a misconception that LEDA can only be used for projects creating high-paying jobs or large tax-base expansions. While jobs and tax base contributions are important considerations in the cost-benefit analysis, LEDA also takes into account broader economic goals and strategies set by the County that are more subjective. The focus should be on achieving a balanced approach to economic development, considering the overall well-being of the community together with things like job creation/retention and tax base expansion..

Improving the LEDA Process

Based on the experience of SALA, there is room for improvement in the LEDA process. SALA suggests that the process should be demystified and streamlined to be more welcoming and proactive. Applicants should receive timely information about the steps involved in the application process and an approximate timeline for decision-making.

Furthermore, evaluation of job retention/expansion and tax base implications should be considered within the context of the County's strategic goals and plans. It's important to recognize that certain projects, such as revitalizing a vacant property for community use, may not be adequately measured solely by job retention/expansion or tax base contribution. Decision-makers should assess the overall contribution of a project to achieving the County's economic goals.

In conclusion, LEDA is a valuable tool for local economic development, enabling partnerships between governments and businesses/organizations. It offers benefits such as progress on strategic goals, job retention/creation, and increased tax base contributions. However, it is essential to address common misconceptions about LEDA and work toward improving the process to foster better collaboration and achieve the community's economic goals. Let's shift the perspective from "finding reasons we can't do it" to "figuring out how to do it together" for better progress on County economic goals and plans.