

## Los Alamos County Cost Benefit Analysis of the SALA Project

Cost = \$600K + applicable NMGR

### Benefits to the Community

- Business Retention - help solidify a local business that is owned and operated by a long-term local entrepreneur
- Jobs Retention
- Job Creation
- Tax-base Retention/Expansion
- Establishment of a new attraction in the community that tells the 'big picture' Los Alamos story and encourages experiencing all that Los Alamos has to offer in terms of its natural setting, history, and the numerous attractions (museums, parks, nature center, cultural amenities, recreational amenities, etc.) that are on offer here.
- Establishment of a venue with the capability to host immersive entertainment programming for both the community and visitors. Immersive experiences will add to the cultural offerings in the community.
- Establish a venue for studio work and exhibition by digital and new media artists and businesses.
- Establishment of a venue with the capability to host new educational initiatives by area schools and Universities.
- Establishment of a venue to provide an opportunity to the Manhattan Project National Historic Park to provide immersive experiences and content to take visitors to the past and to places difficult to visit in person.
- Establishment of improved venue options for intimate live performance and presentations.
- Solidify SALA project to reoccupy and re-open closed movie theater
- Partnership with SALA to create a new visitor/tourism attraction in the downtown
- A way for the County to address the community's 'highest priority for County action in the next five years'
- The project address multiple goals and action areas within the County's existing Council Strategic Goals, Economic Vitality Strategic Plan, Tourism Strategic Plan, and Creative District Plan (see crosswalk)
- Demonstrate that the County can and truly wants to provide useful assistance to downtown businesses.

### Risk Mitigation

- The project is with an established, local entrepreneur with a long track record of business success in the community
- SALA has already obtained the facility. There is no need to identify a site, acquire property, etc. The County does not take on any "maintenance mortgage" as it does with facilities it owns

- The project will be implemented and will start operating much faster than any prior LEDA project. The venue will be open and operating approximately 20 weeks following funding.
- Collateral has been proposed in the application
- SALA has proposed a formal public-private partnership in the plan whereby SALA provides no-charge access daily to the 'Los Alamos Gateway Experience' for a period of four years and the County would use its existing tourism promotion and visitor experience resources to guide people to this new attraction. The value of providing this visitor experience exceeds the amount of the grant request and will be recaptured quickly.

### **Background About LEDA**

LEDA is the acronym for the New Mexico Local Economic Development Act. In simple terms, it is a law that was created to provide the State and Local governments a way to partner and invest in economic development projects without concern that support would be violating the anti-donation clause of the New Mexico Constitution. Los Alamos County has an ordinance that adopts LEDA for use here locally and has put it to use several times over many years. LEDA allows Los Alamos County to partner with businesses and organizations of all kinds in projects to achieve the community's economic goals. The County ordinance provides for a simple process – an application is made to the County Manager, an evaluation is made as to the eligibility of the application under the requirements of the ordinance and State law, and a recommendation with a cost/benefit analysis is presented along with the application to the County Council for decision.

Addressing some points of misinformation surrounding LEDA:

- "LEDA is only for technology businesses – Retail businesses are not eligible" - although the Act originally excluded retail businesses, that restriction was subsequently lifted and the law and local ordinance were amended to extend applicability to retail and other types of businesses.
- "Full collateral is required for governmental financial participation" - there is a requirement for collateral, but no objective standard for how much is sufficient. The sufficiency of the collateral is left to the discretion of the County Council when deciding on an application. LEDA was never intended to use commercial banking standards for collateral, mortgage, or other terms. In fact, LEDA was intended to be an alternative source of funds for valuable projects that may not meet the requirements for commercial financing.
- "The local government needs to be able to 'claw-back' funds if a funding recipient is unable to perform their part of the partnership" - the ordinance does not define 'claw back' requirements, but does mention that a 'description of the safeguards of public resources' is required to be included in the partnership agreement. There is no objective standard for how much risk is acceptable or for risk mitigation. Sufficiency of the safeguards included in the agreement is left to the discretion of the County Council

when deciding on an application. Common sense dictates that the decisionmakers should assess the performance risk inherent in a project and decide what safeguards are sufficient.

- “LEDA can’t be used unless it is for projects creating lots of high paying jobs or for projects creating large tax-base expansions” - this is a myth (and probably a preference) dating back to the times when projects were limited to technology activities and we didn’t have full employment. Jobs and tax base are still useful and required considerations in the cost-benefit analysis, but it would be outmoded not to consider them in context with the broader set of County economic goals and strategies. Frankly, jobs are hard to fill in the current ‘full employment’ environment and are not a particularly useful measure currently of our community and downtown vitality.

### **SALA’s LEDA Application**

SALA made a LEDA application to Los Alamos County earlier this year offering to partner and requesting a \$450K grant to facilitate Phase 2 improvements at SALA. The proposal provided SALA’s argument of how the project will benefit the community and a crosswalk document pointing out how it will contribute to progress on County strategic goals, Economic Vitality Strategic Plan goals, Tourism Strategic Plan goals, and the Creative District Plan goals. SALA submits that progress in addressing these strategic goals and plans are primary benefits to be considered in the cost/benefit analysis. Additionally, SALA provided information about job retention and creation benefits and tax base contributions that are also benefits.

From SALA’s experience to date with its LEDA application, they believe that the LEDA process needs to be de-mystified and streamlined and the County approach could be more welcoming and proactive. An applicant should receive information soon after applying about the steps that will lead to the application being forwarded to the County Council for decision and an approximate timeline for those steps being taken should be established. We also believe that evaluation of job retention/expansion and tax base implications of a proposed application must be considered in context with the contribution to achieving other County goals expressed in strategic goals and plans. For instance, having a theater in our downtown and revitalizing a vacant property for vital community use are not things that get measured well by job retention/expansion or tax base contribution. Decisions on considerations of terms like ‘collateral’ and ‘claw back’ should be left to the discretion of the County Council per the ordinance. Our experience has us suggesting that our community should shift from a perspective of “finding the reasons we can’t do” when working with the small business community to, “let’s figure out how to do it together.” If it doesn’t, it is doubtful there will be better progress on County economic goals and plans.