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Southern New Mexico Could Lead Statewide Recovery

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A recent Business on the Border luncheon in Las Cruces illustrated that the Mesilla Valley has fared better with job generation than both the national average and New Mexico as a whole — though it's still behind the peak employment growth numbers of the mid-2000s.

At that luncheon, Christopher Erickson, Ph.D., from New Mexico State University's College of Business, provided data that the current recession has lasted a staggering 20 months – twice as long as the average for past recessions – and still might not be over. Although it appears the country as a whole is recovering from the current recession, economists predict it will take approximately three years to catch up to pre-recession employment levels.

From an economic development perspective, the business community in Southern New Mexico is guarded but optimistic. Economic developers are working to introduce three manufacturing companies, two aerospace companies, two renewable energy companies, one food processing company, and one high tech company to the region. Together these businesses could create the need for more than 2 million square feet of space and as many as 700 jobs if they choose Doña Ana County as their home.

Statewide observers hope Mesilla Valley's positive trend echoes throughout the state.

Energy to spare

The state's economy is sensitive to changes in the energy market and the political arena, and its economic development depends, in part, on incentives to attract businesses.

New Mexico is an energy-exporting state, which means that global energy markets have a direct impact on the state's economic health. Each \$1 decline in oil prices reduces state tax revenues by \$3.5 million. Each 10 cent fall in natural gas prices reduces state tax revenues by \$10.8 million. Increasing energy demands in India and China mean that prices will exceed what was paid in previous decades, but volatility will be higher. So energy-producing counties need to prepare for this volatility and plan ways to cushion the effects.

The private sector is likewise wary of a new administration in Santa Fe and what overtures it might make – or not – to the business community.

Urging business on

Incentives to attract new businesses are also at risk of disappearing as New Mexico, like other states, copes with diminished tax revenues. Even the state's most effective incentive, the Job Training Incentive Program (JTIP), is not what it used to be. Recent changes have lowered the reimbursable amount on JTIP funding in urban areas from 50 percent to 30 percent. Incentives such as JTIP are the only tools most economic development programs across New Mexico have to be competitive in business attraction. Communities worry what they'll do if these programs are further reduced.

Communities throughout the country, especially in neighboring Texas, have economic development funds they can use for job creation. If New Mexico hopes to remain competitive with neighboring states, localized incentives for economic development must be established. El Paso recently announced the acquisition of 1,000 acres of land in Tornillo to develop an industrial park with a port of entry. When development begins in 2012, how will this affect New Mexico's port of entry and future economic development opportunities in Santa Teresa?

With so much uncertainty in the economy, economic developers are constantly retooling their marketing efforts and planning strategically to deal with new opportunities that arise. In the recent past, businesses weren't motivated to set up shop in Southern New Mexico because financing opportunities were hard to find. Economic developers are now hearing fewer inquiries about financing and building vacancies and more about the availability of workers and build-to-suit opportunities. These inquiries suggest that businesses are finding financing and are now preparing to hire and build – two things that bodes well for the state's economic development initiatives.

Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding-resources for their business or idea. To learn more, go to www.FinanceNewMexico.org.

