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2024 ECONOMIC OUTLOOK

Albuquerque Business First held an Economic Outlook event on Dec. 5. The conversation was moderated by Meagan Nichols, editor-in-chief of Business First. The panelists for the event included Davin Lopez, president/CEO, Mesilla Valley Economic Development Alliance; Warren Unsicker, director of Economic Development, City of Farmington; and Danielle Casey, president/CEO, Albuquerque Regional Economic Alliance

LIZ LOPEZ PHOTOGRAPHY



By [Meagan Nichols](#) – Editor-in-Chief, Albuquerque Business First
Dec 13, 2023

As 2023 takes its final bow, Albuquerque Business First gathered economic development experts from across the state to try and get a better feel for what the new year could have

in store for New Mexico.

The Economic Outlook 2024 event, held Dec. 5 at Embassy Suites by Hilton, got started with a keynote address delivered by Charles Saltee, director of the Legislative Finance Committee. His talk centered on New Mexico's fiscal outlook.

One of Saltee's main themes focused on the future of oil and gas. As the global push for less reliance on oil and gas moves forward, and as New Mexico doubles down on its own sustainability initiatives, Saltee said the state needs to start preparing for a drop in revenue from those industries.

"We've got a temporary boom of revenues," Saltee said. "[We] need to figure out how to make sure that those investments really make meaningful differences. Because in the out years, we're not going to be able to rely as much on oil and gas, which we've been saying for a long time. But now we really mean it."

The event then transitioned into a panel with economic development leaders from Farmington, Albuquerque and Las Cruces. That discussion was moderated by Meagan Nichols, editor-in-chief of Business First.

Panelists included:

- Danielle Casey, president/CEO, Albuquerque Regional Economic Alliance
- Davin Lopez, president/CEO, Mesilla Valley Economic Development Alliance
- Warren Unsicker, director of Economic Development, City of Farmington

Below you can read an excerpt from that discussion and learn what each panelist believes could be 2024's big headline.

Meagan Nichols: I want to start with a little reflection before we look ahead. 2023, biggest surprise – good, bad or otherwise?

Danielle Casey: That nothing's been predictable. Our level of activity, I think my partners here will agree, has been unprecedented. ... Every other economic developer I talk to through that and through channels like our international association, is that they can't keep up. That there's too many opportunities and it's always, 'Be careful what you wish for.'

Warren Unsicker: I would say the boom in the housing market in our area. We actually, for a while, [had] the fastest-growing home prices in the nation. In Farmington metro, it went up 20% in price increases. That and commercial development has continued to steam ahead in Farmington despite all the buffeting of inflation.

Davin Lopez: From [a] projects perspective, ... I think the surprise we're seeing is the changing in the scope and the size of projects and what's actually driving them. In pondering why these trends are taking place, it's giving us kind of a new direction on

how we're going to pursue new activity over not only 2024 but probably the next five years, as well.



Davin Lopez, president/CEO, Mesilla Valley Economic Development Alliance

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Nichols: Since you do represent different parts of the state, I would like to dive into what you are thinking is going to be your biggest opportunity in the new year.

Lopez: Keep in mind, my organization, we concentrate probably 70% of our time on recruiting activity, recruiting new industry to the region and we concentrate on economic-based activity. So that's first and foremost. Although I think we are going to see some growth in other industries like film and the outdoor rec industry, which is providing some promise, in what I see in my world is really the impacts of post-pandemic supply chain disruptions causing new needs for automation. But most importantly, that final impact on really offshoring and nearshoring activity taking place. That, I think, is going to be really a generational opportunity for not only the New Mexico Borderplex region, but I think it's going to garner opportunities for the entire state.

Unsicker: Because of all the onshoring things that are going on, logistics are becoming that much more important. And that's one thing that we are at a deficit up in the northwest corner there. But we have a \$2 billion build grant going into research and getting rail up to the San Juan County region. We're also working with city partners to try and bring more broadband to our area in partnership with our electric utility that serves most of the county to likewise commercial air service. We have an airport right in the middle of Farmington, but it hasn't had commercial air service in years. I think those three things will make a huge difference in our competitiveness.

Casey: I could think of 10, and I think that's the big answer. There's never just one, as you can hear, in terms of a significant or specific economic opportunity, there are a lot of

different things that are bubbling up and coming to the surface that we can take advantage of. And we have a, I believe, finite period of time to take advantage of. But I'll touch on one thing, because it's actually something we partnered with Business First on that we're starting to roll out through AREA. ... We are a regional – regional being very key – economic development, public-private partnership. A huge piece of the work that we're tasked with is this recruitment-based industries, but also external marketing and brand development. I'm very excited about some asks at the state level right now to invest in that, but the research we did with Business First ... we did some surveying with C-suite executives in other markets – Chicago, San Francisco, Seattle, L.A. I will tell you all, when we look at the data, we see unbelievable opportunity in industries like bio-life science, and aerospace and defense, that don't get as much day-to-day hype or specific attention, I think, as they should. Though, they're very, very strong in our market. We have tremendous opportunity for growth, from a labor force perspective and other competency perspective and all the assets we have here. Folks in Southern California in the C-suite, what the data told us, they have no idea about that. One of the biggest opportunities we have is to be extremely bullish and external on educating folks on the advantages and opportunities in those industry sectors for the greater Albuquerque region over the next 12 to 24 months, and start to see the results of that level of awareness and brand development.

Nichols: That's opportunity, what's the biggest thing you think is going to be a headwind or an obstacle in the new year?

Lopez: We've been seeing a lot more, what we define as, mega projects. These are projects where it's 1,000 employees, capital investment can be in the hundreds of millions of dollars, sometimes it goes over a billion [dollars]. ... A lot of this has to do with a real push by industry to move production out of Asia, and Europe to some degree, and be in North America to reach primarily U.S. consumers. That's what's driving all this. But in that respect, we have really a lack of site readiness – infrastructure. ... The challenge we have is really the infrastructure for the site readiness: water, wastewater, electricity – ready to go. I always hear this in our state, and I'm always hearing people say, 'We're punching above our weight.' I don't really know what that means because I think my peers will agree with me, we are competing across the country, internationally with heavyweights but we're making investments in economic development as if we're flyweights. It doesn't matter how much you're punching above your weight. If you can't knock those heavyweights down, we're having some issues there. And we're seeing other states, they are making proactive investments in site readiness.

Casey: I could not agree more. And we've been on that stump on site readiness and infrastructure investment. ... We can have all of the interest in the world, all of the advantages in the world, if we can't get a company on a property and on a site with the timing and the level of certainty they need, we will not be on the list. So, the opportunity for us right now is that very few markets have really a great inventory. This is that window. Figure out that level of opportunity and try to go into the attack while we can,

nobody else has those. Everybody is challenged for finding and developing these, if we can be creative enough to get ahead of that, it would be amazing.

Unsicker: This is something we've been taking a very serious look at. And since we only have so much control over private land as a municipality, we're looking at what inventory we have to put into the mix. And, how do we bring that up to par? Likewise, even evaluating [the] need to build spec buildings. A lot of people look to Farmington and our area as a hub for manufacturing and industrial. But a lot of those [buildings] were mom-and-pop oil and gas shops working with big field companies. They're not big enough, they're not tall enough, they're not sufficiently hooked up to infrastructure to support these mega projects that we're looking at. It is a huge disadvantage as a state that we're facing. We've got to find a way to solve that. ... We actually took a proactive step on that in the past [with] what we call the Community Transformation and Economic Diversification Fund, which is a quarter percent GRT dedicated for beautification, infrastructure, economic development incentives, and so we are at the ready for when those opportunities arrive.



Danielle Casey, president/CEO, Albuquerque Regional Economic Alliance

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Nichols: The legislative session is right around the corner, I'm curious what each of you is working on or watching?

Unsicker: Major infrastructure opportunities, capital outlay that we've been pushing toward. We have probably 30 or so projects, but our top 10 are really important to push forward. A lot of that goes into watching the incentives. You mentioned being able to punch above our weight, and you need to have the resources and the backstop of that LEDA (Local Economic Development Act) incentive and the JTIP (Job Training Incentive Program) ... to make opportunities possible. And then liquor licensing is one that we are constantly watching. For us up in Farmington, mom-and-pop restaurants can't afford a liquor license when they're \$500,000. Our neighbors to the north in Durango, it's maybe

\$5,000 to \$10,000. We can't get that true local feel we'd like to in our night life. That's one thing we continue to watch and try to track, again, for that workforce retention and attraction.

Casey: Let me lay on my disclaimer. AREA is a 501(c)(3) public charity, we don't lobby, but we sure as heck advocate. And we are always around and available and have in many cases, when we've been asked about policy or other issues, we do a lot of research. You'll see us cranking out white papers and best practices, indicators and data tools. ... If there's anything that's going to talk about dollars for a site readiness initiative, that is huge.

Lopez: I'll start with the same disclaimer. We are a 501(c)(3). And as Danielle said, we like to say we can't lobby, but we can aggressively educate. We will be keeping our eyes on a number of probably border infrastructure bills that will be coming out. We'll be, obviously, trying to put our support behind that and we're still working with the city and the county on specific needs really around economic development efforts that they are each taking. We also all three work with New Mexico Idea. They are the economic development association for New Mexico. They'll lead the way kind of on the voice of lobbying for us as economic development practitioners. But I'm hoping through New Mexico Idea, we are going to start hearing more conversation of this site readiness infrastructure fund. If that is to take place, I think we will put our voice behind that as best as possible because as you've heard already today, we all feel that's very important.

Nichols: When you are talking to companies outside of New Mexico, is GRT (gross receipts tax) a big headwind or is it a non-issue?

Lopez: I would say 15 years ago, we were having more questions on GRT. It's not common. The companies and site selectors don't really understand it. But we have partners, we have really good accounting partners, both in Albuquerque and Las Cruces, who are willing to come to the table to help explain it better. And we can usually, it's not perfect, but we can usually get around them understanding what it means and what it does. And every state has its own tax issues. It's very complicated for them to make these side-by-side comparisons. I don't think it's as much of an issue today, but I think it's taken many, many years of all of us talking to industry, talking to site selectors, kind of that training has been taking place. But here's the bottom line: It is complicated. And any time we add some kind of complexity and things are not, again, as I mentioned before, transparent and predictable and clear and that's incentives as well, we will probably lose projects we never knew were even looking at us in the first place. That's the unknown situation here.

Unsicker: Spot on. I remember when I interviewed for my job up in Farmington I asked the board what's the tax structure like? They're like, 'Well, it depends.' That's not what businesses want to hear when they're looking at locations. They want to know clearly

what they're going to be dealing with from a cost perspective to locate in an area. I think you're absolutely right, we're losing projects before we even know they existed.

Casey: Totally agree. ... What we have consistently tried to do, and again, people have been doing this with our organization much longer than I have, is get ahead of the conversation. Proactively market to them on the overall because you can look at 20 different factors. What's the overall cost of doing business? And is it relatively competitive? Or can we get it there with a level of certainty? That's why maintaining and providing certainty with our incentive tools is critical, but also just looking at things that affect cost – from labor cost and cost of transportation of goods and services, etc. ... GRT definitely matters. The other question, even though you didn't ask, that we get sometimes is, 'Are you a right-to-work state?' It's almost more of an afterthought. I have heard that much more after we're already an hour and a half into the pitch. They've already decided to tour the region. Our team now, and historically, has done a great job of putting together data to at least tell the story. No, we're not a right-to-work state but we do have a low unionization rate and if you want to talk to any other companies in the market about how this has affected them or not affected them, we'll get you in front of them tomorrow. That works really well. We've had them kind of lean back and go, 'Okay, great.' So again, proactively getting in front of things that may be on their radar as they evolve through the site selection process.



Warren Unsicker, director of Economic Development, City of Farmington

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Nichols: This a room full of decision-makers. What's the call to action for each of us here today to help build our regional case?

Lopez: As business leaders in your community, I think the first thing is to remind your legislators that economic development is important to you. I hope I don't offend anyone, if there's any elected officials in the room, but I've been doing this for almost 20 years

now, and it feels like from the top down every governor to every city councilor, when they're running, they're talking about education and jobs all the time. But then jobs become the least thing they think about when they're actually in office. I think you need to remind them because we all have an economic development story that's personal to us.

Unsicker: Reinvest in your community. Put effort into being part of that effort to grow your business to hire people locally. And then likewise, again, lobbying and being available for these boards and for these other groups. When they go out and try to do their lobbying effort – go with them. If you find a chamber, someone's saying, 'Hey, jump on the bus, we're all going to Santa Fe,' please do. Because that's something that's really important to have that critical mass of businesses and people that are in the trenches dealing with these things. And likewise, be available. As Danielle mentioned, businesses want to know how other businesses are doing. If you're willing to be that point of reference that we as economic developers can send them to, that's a huge help.

Casey: Thank you, Davin, for mentioning New Mexico Idea. ... It is a bootstrapped association of economic development professionals, but what's amazing about that is it is statewide. I think if there's an organization that you should at least be aware of – direct legislators to, others – as we can all align. Think about the things we can get done if we can strengthen an organization like that, just from a policy perspective. If rural communities, if the Borderplex, if greater Albuquerque, Farmington, Santa Fe can all agree on things that need to happen for economic development, we have a much better opportunity to drive it forward. It really, I think, underscores the criticality of getting those things done. I believe in that group. ... Talk to your legislators, talk to people in the community. ... Educate people that have no idea about economic development, at least where to go to learn. Help us continue to tell that story.

Nichols: What do you each think the headline for 2024 is going to be?

Lopez: I'm talking about the Borderplex area specifically, and understanding the pressure points of companies, especially with supply chain challenges and reaching their U.S. consumers. ... We are at the center of trade for North America. We can reach a 250 million population within a two-day drive time. And by leveraging both sides of the border, manufacturing both sides of the border, companies can take advantage of some lower cost inputs, maybe final manufacturing, fabrication, reaching their U.S. audience. And, do it all from one region really cutting down their supply chain. I think that's really our message: We are now the center of trade for North America.

Unsicker: We have some very unique pushes with our area and outdoor rec being such a vital part of our community. We've been pushing that as a reason to move to our area, bring your business to that area, again, encourage workforce to come. I think our headline will be: The nexus of work and play.