



MEMO

To: Western Resources Advocates
From: Public Land Solutions
Re: Current State of Business Attractiveness in the Farmington, New Mexico Area
Date: April 13, 2018

I. Introduction

As part of larger efforts to diversify economic development in Farmington, NM and the surrounding area, Public Land Solutions (PLS) prepared this report on the current state of business attractiveness in the area, and what possible steps can be taken to further enhance the appeal of the area. Historically, the region has relied heavily on energy development to provide jobs, income, and revenues to the area. Recently, a group formed to chart the growth of the region and to provide a roadmap for economic diversification. This group initially kicked off at the [Four Corners Future Forum](#) in November 2017, and reconvened in April 2018.

For this project, PLS participated in the Four Corners Forum and associated follow up meetings, and met with local economic development representatives, elected and appointed officials, Bureau of Land Management (BLM) staff, and tourism officials to discuss developing recreation opportunities that could attract new businesses to the area. Public Land Solutions also conducted independent research focused on assessing the current mix of recreation opportunities and how enhancing those opportunities might serve to attract more businesses to the Farmington area and thus diversify the region's economy. The following report details PLS's findings and provides recommendations for further enhancing the business attractiveness of Farmington and the surrounding area.

II. Livability

We define "livability" as the sum of factors adding up to a community's quality of life. These factors include recreation, housing, schools, and access to health care and amenities like transportation. As recreation continues to grow as an economic driver throughout the country, businesses are choosing locations with outdoor recreation as a means of providing a high quality of life for their employees. According to the [2016 Deloitte Millennial Survey](#), work/life balance ranked as more important than career progression for the majority of millennials. Corporations, such as [Wal-Mart](#), and businesses of all types are using the quality of life that results from access to the out-of-doors as a key tool for recruiting and retaining staff at all levels. Footloose entrepreneurs, who can locate wherever they please, are doing just that. Communities that used to depend on the roller coaster of worldwide commodity prices for coal, oil, gas, and timber now have an opportunity to supplement those revenue sources by investing in access to recreation assets.

Recreation Access: Access to recreation and public land has become a growing factor in recruiting and retaining employees. Existing Farmington outdoor recreation on federal public

lands is detailed in PLS's Farmington area [Recreation Audit](#); the region also has a wealth of municipal and county parks offering recreation opportunities. The city contains aquatic centers, a [whitewater](#) river park, golf courses, and museums. [Lake Farmington](#) is another attraction in the area, offering fishing, swimming, and non-motorized watercraft activities. The City of Farmington also organizes the annual [Road Apple Rally](#), a road bike race that has grown to national fame.

According to interviews conducted by PLS, both the City of Farmington and San Juan County are working to improve recreation experiences in the region. In so doing local government is currently engaged in projects to install signage around the area for various trails and recreation opportunities. The county is also constructing a multi-use trail around the [Piñon Hills](#) Golf Course, and is receiving a donation of 80 acres of land in the North Foothills to build a bike park. In addition, [Navajo Lake State Park](#), a short drive from Farmington, is New Mexico's largest lake and offers two marinas and multiple docks. The lake is open to motorized and non-motorized boating, fishing, hiking, and camping. The [Navajo Lake Marina](#) has boat rentals, guided boating/fishing, restaurants, other watercraft rentals, events, while [Sims Marina](#) offers Fuel, grocery, bait, tackle, clothing, boating supplies, rental boats, and slip rentals.

Overall, the recreation assets that currently exist in Farmington, such as the lake and marinas, are well developed but not easily accessible to non-locals. Several times in interviews, PLS heard about "secret" trails and spots which locals have the knowledge to find and navigate, but a visitor might not. Even assets like the marinas, which have a relatively robust web presence, are not very well promoted outside of their own websites. Other areas require further infrastructure or development to become true recreation assets. So, while there exists in Farmington several well-developed recreation assets, other areas are not as robust and there is a lack of information available and easily accessible to the public regarding these assets. In addition, while the region has several "conventional" recreation opportunities such as golfing and boating, Farmington could benefit from more active recreational opportunities such as developed mountain bike trails. By developing a broader range of recreational activities the area could strengthen its attractiveness for those contemplating a move to the area. In short, Farmington has significant potential to increase its recreation economy by diversifying its offerings, but the area already provides attractive lake and river sports, trails, and conventional recreational activities such as golf.

Housing: Another metric for businesses to consider is housing; many destination towns across the nation are expensive with competitive affordable housing markets, and businesses need to offer reasonable housing for their employees. In Farmington, which has a population of over 41,000, the [median listing price](#) for properties is \$205,000, compared to the [national median listing price](#) of \$261,500. The median gross [rent](#) for a residential property in Farmington is about \$770, compared to the national median gross rent of \$959. According to [realtor.com](#), there are 546 homes [listed for sale](#) and 26 listed for rent in Farmington as of April 5, 2018. The median price of housing in Farmington has remained fairly steady over the last two years, which could indicate that the city will continue to offer affordable housing for workers, unlike larger metropolitan areas and tourist towns where housing prices are much higher. The relative affordability of homes in the area makes Farmington a more livable and attractive city, as it

allows new residents and business employees the prospect of becoming homeowners more easily and affordable compared to other locations. Rental rates are also relatively low.

Education: The quality of schools is often as important as housing concerns when people and businesses are making the decision to move to an area. Farmington has a school district of about 11,700 students in 20 schools, with an average of 16 students per classroom. This students-per-classroom average ranks low against the [national average](#) of 21.1 and slightly higher than the state average of 15 students per classroom. This statistic indicates that pupils in Farmington enjoy more attention from teachers. Farmington also offers access to higher education through [San Juan College](#), which presents an [array](#) of academic programs and degrees, at an in-state tuition that is [68 percent lower](#) than the national average. Thus, Farmington's schools offer students more individualized attention in the classroom than the national average, which [generally](#) leads to higher student achievement, and also offers local students easily accessible and affordable higher education. These aspects make Farmington's schools more attractive to prospective residents and businesses whose employees have children or are looking to further their own education.

Healthcare: A business or individual looking to relocate to Farmington will also likely consider access to healthcare in the region before making a decision. Farmington is home to the [San Juan Regional Medical Center](#), a nonprofit, community owned 194-bed Level III Trauma Center. Farmington also has a location of the Presbyterian Medical Services, the [Farmington Community Health Center](#). This center offers primary care, dental, behavioral health, veteran care, and supportive housing services. The city also has various clinics, some specifically geared towards veterans, and private doctor's offices. Research in the area shows that Farmington has a variety of healthcare options for residents to choose from, in addition to a medium-sized, well-equipped hospital and trauma center. Businesses looking to move to the area can feel confident their employees will be able to manage their health in the area without having to travel and without too much inconvenience.

Through studying these factors, PLS concludes that Farmington has many advantages that make it a livable location for a business to consider. The lower housing costs, uncrowded schools, and access to healthcare make Farmington an attractive location for any business. While Farmington could diversify its recreation opportunities and develop more active recreation opportunities such as mountain biking, the region's easy access to a vast array of federal, state, and municipal public lands and recreation facilities make Farmington attractive to outdoor industry businesses, which often place a heavy emphasis on ensuring their employees have access to outdoor recreation. However, Farmington would benefit from improvements in the way it dispenses information about its recreation assets. Several projects that are already underway, including the signage efforts discussed above, will help visitors and residents find and utilize recreation assets that previously were kept as "secret spots." There is still room for improvement with the online distribution of information about recreation assets in the area, particularly by collecting this type of information in an easy-to-locate website.

III. Business Attractiveness

In addition to livability, communities utilize many other factors to make their area seem attractive to business concerns. These factors include the presence of a vibrant downtown core, commercial and industrial space prices and availabilities, tax structure, and transportation opportunities. Farmington has several positive indicators of business attractiveness, including a strong commitment from local officials, both city and county, to recruit and retain new businesses. From our interviews with officials such as Farmington Mayor Nathan Duckett and San Juan County CEO Kim Carpenter, PLS gained a sense that officials in the area are keenly aware of the need to diversify and bring in new types of businesses in order for the area to thrive.

As part of its efforts, the City of Farmington in 2017 commenced a [downtown vibrancy project](#), which recently became a [Main Street America](#) accredited project. The project includes art walks, a maker's market, and events. The City and partners also began a [Complete Streets project](#) in 2017 for its Main Street in downtown Farmington. The plan [involves](#) updates to water and sewer systems, electrical infrastructure, and storm water management in a 6-block area of the downtown corridor. Some conceptual changes to the area include replacing the current four-lane road with a two-lane street with roundabouts, expanding sidewalks and bike paths, and updating parking areas. Planning efforts are also underway under the Farmington Metropolitan Redevelopment Area ([MRA](#)), which includes the downtown area, Civic Center area, and Animas River Corridor.

Another important factor when working to attract businesses to an area is the availability and price of commercial and industrial spaces. A [search](#) of commercial real estate in the city brought forth almost 100 listings, with pricing varying from \$500 month for a 316-square-foot space on Main Street, to \$2.25 million for an 18,000-square-foot office building. Several listings for vacant commercial land are also available. Commercial leases are also available in the Navajo Nation, though individuals are not permitted to purchase land on the reservation. The Navajo Nation has [three types](#) of leasing programs available: business site leases, industrial site leases, and shopping center leases. These factors indicate that Farmington has an attractive industrial and commercial real estate market; indeed, the addition of leases on Navajo lands opens up even more opportunities for prospective businesses.

Industrial parks are another asset to the greater Farmington region. In addition to industrial properties within the city, the planned [Gallup Energy Logistics Park](#) offers 2,500 acres of rail-served industrial space. The industrial park is geared toward light manufacturing, storage, logistics, and trans loading industries in the area. Phase I of the park was completed in February 2017, and the Phase II infrastructure is currently in place. The site is one of ten throughout the country that has received certification as part of the Burlington Northern Santa Fe Railway's site certification program, which ensures the site is "rail-served and shovel-ready" for rapid development. The Navajo Nation also [offers](#) nine industrial sites, four of which are in New Mexico. These sites can only be leased, not purchased, but offer a variety of options for a business, particularly agricultural concerns and other businesses needing large tracts of leased land. There is also industrial development along the Animas River that PLS has been told about in interviews, with potential for boat and boating component manufacturers to locate there and test their product onsite. These parks can offer companies that are considering moving even more

space options than traditional stand-alone commercial buildings, including business that need more space than the average storefront may contain. Thus, for the population and size of Farmington, the city and surrounding area have a strong industrial park presence with several options for businesses of various sizes, including locating on tribal lands.

The Farmington area is also served by three airports: Four Corners Regional Airport in Farmington, Durango-La Plata County Airport in Durango, and Aztec Municipal Airport in Aztec. The Farmington and Durango airports offer connections to larger hubs such as Phoenix, Denver, and Dallas-Fort Worth. The Aztec airport is mainly used to move freight. The main road routes into the area are US 550, US 64, and US 491. These options combine to make Farmington easily accessible from the air or by vehicle, and thus attractive to businesses that require access for shipping merchandise or who need to ship in supplies for manufacturing, for example.

Another feature that may entice emerging and small business to the area is the [Farmington Small Business Development Center](#) located at San Juan College. This business incubator offers training, consulting, workshops referrals, and other services to local business owners and entrepreneurs. The center also helps businesses that are starting up or transitioning to the area understand tax structures, regulations, and legal matters at the local, state, and federal level. The center also assists with financing and capital sourcing, as well as those looking to price a business to buy. This resource will be an advantage in recruiting business to the area, particularly startups or large businesses that wish to support startups.

Another factor which businesses will likely consider before relocating to an area are taxes rates for the state and city. New Mexico is one of few states that uses Gross Receipts Tax (GRT) to tax business revenue; in Farmington, the rate is 7.625%. Other tax rates for New Mexico/Farmington [are as follows](#):

- Compensating Tax: Property 5.125%, Services 5.0%
- Corporate Income Tax: Net Income <\$500,000 = 4.8%;
- Net Income between \$500,000 and \$1,000,000 = \$24,000 + 6.4% of net income over \$500,000; Net Income over \$1,000,000 = \$56,000 + 7.6% of net income over \$1,000,000
- Property Tax: Median of \$628/year, effective rate of .42% of property value (10th of 33 counties for lowest property tax)
- New Mexico imposes a severance tax on the privilege of severing natural resources. “Natural resources” is defined as “timber and any metalliferous or nonmetalliferous mineral product, combination or compound thereof but does not include oil, natural gas, liquid hydrocarbon, individually or any combination thereof or carbon dioxide.”
- Workers Compensation Fee: The fee for the employer is \$2.30 times the number of covered employees working on the last day of the quarter. The fee for covered employees working on the last day of the quarter is \$2.00.
- Unemployment Insurance Contribution: The standard tax rate for all new employers for four years is 2.0%
- Personal Income Tax: The rates vary depending upon your filing status and income. The top tax bracket is 4.9%

This data will have bearing on businesses who wish to move to Farmington or New Mexico. The GRT cost is often passed on to the purchaser by businesses, either as a separate invoice item or

combined with the price of the item being sold. This can be an advantage, as it allows businesses the option of selling products for a lower price and paying the tax themselves, or building it into the price of the item being sold. Farmington's property tax rate is also lower than the national [average](#) of 1.15%, which will make buying property in the area more attractive to businesses. In sum, Farmington has a tax structure that is welcoming and attractive to businesses, with no requirements that would significantly deter business investment in the area.

Farmington and the state of New Mexico also offer several incentives to businesses that choose to locate in the area. One is the Local Economic Development Act, or [LEDA](#). This program, which has been passed in 83 New Mexico communities including Farmington, fosters economic growth in communities while also protecting against the unauthorized use of public money and resources. The purpose of the act is to allow municipalities to enter into Joint Powers Agreements for economic development projects. For businesses, this means LEDA can be used to help install utilities infrastructure. LEDA can be used to support three types of projects: infrastructure/improvement, retail, and economic development (job creation). At the state level, New Mexico also offers a Job Training Incentive Program ([JTIP](#)). The program funds on-the-job and classroom training for new positions in expanding or relocated businesses for up to six months. The program reimburses 50-75% of employee wages. Custom training at a New Mexico public educational institution may also be reimbursed. Qualification for the program depends on the kind of business, the role of the newly-created jobs, and the proposed trainees. The state of New Mexico also offers a [variety](#) of deductions and credits for businesses, both current and emerging. These incentives, particularly the JTIP, are attractive to businesses looking to locate in the area, as they offer tax credits and the possibility of reimbursement for training new employees. The presence of such incentives also speaks to the Farmington community's commitment to recruiting and fostering new companies, which is also attractive to prospective businesses that may be considering the area.

IV. Barriers to Farmington's Business Attractiveness

While conducting interviews and research for this report, there were several areas of improvement in Farmington that businesses may consider as opportunities for growth. One of the most notable for improvement is the minimal public transportation in the city. [Red Apple Transit](#), the city-run bus service, has only [five](#) routes. The city of Farmington also has a [Walk Score](#) of only 30/100 and a [transit score](#) of 16. Both designations indicate that living in the city is ranked as "car-dependent," meaning most errands or commutes must be taken by car, not transit or walking. Adding more transportation opportunities and gearing downtown projects toward increased walkability will increase the business attractiveness of Farmington.

Another enhancement that area planners should undertake, and to some extent already have, is to provide comprehensive recreation information in one easily-accessible place. To this end, San Juan County does [provide](#) GIS and travel plan maps on its website of various trail systems in the county. The city's tourism [website](#) also offers some information on outdoor activities, but the listings are not comprehensive (i.e., only two motorized recreation areas are listed) and some of the information appears to be outdated. While it can be difficult to catalog all the recreation opportunities in an area, business looking to relocate to the area will be interested to see an inclusive resource to the recreation in the area. Along the same lines, an aspect of the recreation

economy in Farmington that PLS has heard often in interviews and discussions with other members of the Four Corners Future Forum is the lack of commercial recreation outfitters in the area. Fly fishing seems to be the predominant guided activity in the area, followed by 4-wheel drive tours. However, in terms of other outdoor sports, visitors and others wishing to have a guided experience may either be out of luck or have a difficult time finding an outfitter.

Overall, PLS has found that Farmington's barriers to business attractiveness are not insurmountable and in some cases, are in some way already being addressed by the city or county. Indeed, the efforts of the Four Corners Future Forum and the coalition attached to that event are working to address things like infrastructure and transportation. However, the latest meeting of volunteers from the Four Corners Future Forum consisted of facilitated discussion; no action items were given to any volunteers. While the conversation was fruitful and positive, progress remains firmly in the discussion stage without much movement towards implementing a plan to help the region transition toward a more diverse economy.

V. Conclusion

Farmington and the Four Corners region is moving toward economic diversification and transition. While challenges remain, the city's livability, from recreation to housing, education, and healthcare, offers prospective businesses the opportunity to locate in an affordable area with access to quality primary and higher education and healthcare. The business attractiveness of Farmington and the surrounding area is also steadily growing, with developments such as the waterfront industrial park and the Gallup Energy Logistics Park. The region's commitment to fostering and developing new businesses is also apparent, through the Farmington Small Business Development Center.

The barriers Farmington faces, such as a lack of public transportation, appear to be known to local elected and economic development officials, who are developing plans to overcome them as part of the regional economic development efforts. Other barriers, such as the lack of recreation signage and readily available information, as well as a lack of licensed outfitters, also appear to be known to economic development officials and are being addressed mainly through San Juan County projects. More improvements in this area remain to be done, but the forward progress and the acknowledgment from local officials that recreation will enhance the area's economy is promising.

As part of this process, implementing and enhancing some of the aspects discussed above will help the city attract more businesses and residents to the area. As PLS continues through this phase of the project, we will utilize the information in this report regarding the relatively low cost of living, access to open spaces, and the desire for economic growth to begin preliminary outreach to outdoor industry business regarding relocating to Farmington. Public Land Solutions will also begin consideration of the second phase of this project which will include remaining active in the Four Corners Future Forum and continue meeting with local elected officials and economic development partners in Farmington to discuss and support specific plans for enhancing recreation assets and other aspects of business attractiveness.