



FREQUENTLY ASKED QUESTIONS

What is an Industrial Revenue Bond, or 'IRB'?

An IRB is an economic development tool and a way for a government entity (i.e. a county, a city or municipality, etc.) to incent a business enterprise to locate or expand in that jurisdiction through certain tax abatements.

Since 1985, well over one hundred series of bonds totaling several billion dollars have been issued by approximately 30 municipalities and counties in New Mexico, ranging from Albuquerque to Red River.

How does an IRB work?

In an IRB transaction, the real property comprising the IRB project is deeded from the benefiting company to the IRB issuer (either a county or a municipality). The issuer then leases the project back to the company for the term of the bonds, with the company being obligated to purchase the project at the bond maturity date. The property is owned by the governmental entity during the bond term, and the company essentially acquires the state and local tax status of a governmental body with respect to that property. Thus, the project property is exempt from property taxation during the term of the bonds, and purchases of depreciable, tangible property is deductible from gross receipts for purposes of GRT, or is exempt from New Mexico compensating tax.

Who can issue IRBs?

All New Mexico counties and municipalities can issue IRBs.ⁱ

Why is Santa Fe Studios requesting IRBs?

Due to the global economy slowdown during Phase One of the Studios' early development and the industry confusion surrounding the state tax incentives for a period of time, Phase Two was postponed to a later time. As a result, this significantly limited both the scale and scope of productions that could be attracted to Santa Fe. Further, the ultra-competitiveness of the film industry in recent years compels the entire Santa Fe region to offer facilities that will continue to attract large productions as well as post-production; or continue to lose out on this work going elsewhere – and with it the jobs and spending the industry brings to Santa Fe.

Why is this expansion so important at this time?

The renaissance that we are seeing in television production is a large opportunity and New Mexico is poised to benefit from this in the coming years. With the recent high profile successes filmed in the state – *Breaking Bad*, *Longmire*, *Manhattan*, and *Cosmos: A SpaceTime Odyssey* – all of New Mexico can participate in this surge. However, the production facilities in Santa Fe

are currently limited, and this will likely send the industry to other attractive locations that have the breadth of facilities that these productions require. Lastly, Santa Fe has achieved worldwide recognition from the film industry in recent years as a production destination; yet this position cannot be taken for granted and must be advanced and improved to remain competitive.

Why should film industry receive these types of benefits?

The growth of the Santa Fe film industry affords a positive economic impact with very little downside. It is clean industry. It pays well above average wages. And it leverages our existing assets (natural beauty, history, culture, etc.) very well. It hires people of many skills sets and talents, is diverse and is naturally aligned to our artistic culture.

Will Santa Fe Studios receive tax money from the IRBs?

No. The IRBs do not provide a cash transaction or financing to Santa Fe Studios. The Bonds will be issued and sold on a 'self purchase' basis by being privately placed with a to-be-formed affiliate of the Studios. The Studios will secure a 3rd party financing source for the amounts necessary to allow the affiliate to purchase the Bonds.

How will the IRBs further jobs and spending in Santa Fe?

With the IRBs, Santa Fe Studios will build out Phase Two of the production facilities – which will greatly expand the type and scale of film/television projects the facilities will be able to accommodate.

For example, the Emmy-award winning television series *Cosmos: A SpaceTime Odyssey*, which was filmed at the Studios, illustrates the new production possibilities not predominantly associated with the unique attractiveness of the New Mexico/Santa Fe landscape. This type of production was filmed entirely in the Studios' modern sound stages, and requires facilities that the expansion would fulfill. This broadening of the production capacity that solidifies Santa Fe as a sound stage and post-production hub can be achieved in Phase Two.

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¹ Industrial Revenue Bond Basics, Alan Hall, Rodey, Dickason, Sloan, Akin & Robb, P.A., May 23, 2014