

Annexation opposition: Culture and cash

By J.R. Logan

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Telesfor Gonzales has a broad reach in El Prado. He owns a liquor store, rents commercial space, raises cattle and heads the board of the local water and sewer district.

So when he talks about his opposition to a proposed annexation by the town of Taos, he offers plenty of reasons.

As a business owner, he fears a hike in the sales tax he has to charge customers will affect his bottom line. As a landlord, he predicts an increase in property taxes that will result in what he considers no new services. As a rancher, he worries that the town's attitude toward development will eat up what remains of the green belt in El Prado. And as head of the water and sewer district, he worries that the organization will be in trouble if customers realize they're being double-taxed for a single service.

All of Gonzales' concerns are based on pure speculation. The town has proposed to annex only six miles of highway right of way through the heart of El Prado — from the northernmost town boundary to the Old Blinking Light intersection then west to the airport. The sole purpose, according to town officials, is to capture tax revenue at the airport to pay for an expansion.

But with the town moving to annex and the county vowing to bring a lawsuit to stop it, the future of the airport project could be in jeopardy.

While county officials say they support the airport expansion, they worry the narrow annexation would give the town a toehold to further annexations. Because of the town's apparent unwillingness to strike a deal with the county that would have reduced the cost to the town by half, people like Gonzales believe the town's overall goal is to scoop up existing and future businesses all the way to the gorge.

Taos County Manager Stephen Archuleta said the town's refusal to negotiate suggests to him that it is after tax revenue. "I can't see any other reason for doing it," Archuleta said. "Otherwise, they would have taken us up on our offer."

Town officials repeatedly told the county they could not rely on the county's promise that it would pay its share of the costs.

If additional annexations happen — now or in the future — there are a lot of questions about the economic, cultural and administrative impacts to businesses and residents along the entire corridor.

'Distinct community'

From the county's perspective, the immediate political fallout from annexation could be even more devastating than the financial effects, at least in the short term.

County residents on the periphery of the town —in areas like El Prado, Ranchos de Taos and Cañon — have historically been vehemently opposed to annexation. Fiery comments from El Prado residents over the current proposal suggest that attitude hasn't changed. They say El Prado is proud of its rural character and argue that becoming part of the town is tantamount to losing part of their identity.

"El Prado is a distinct community with a distinct culture, that's part of why we want to challenge this annexation," said county commissioner Tom Blankenhorn who represents residents in the area.

He said the commission is carefully weighing its options when considering litigation that could stymie the airport project, and it wants to be sure it has a good reason to stall the annexation.

Aside from the cultural issues, Blankenhorn is also concerned this annexation could lead to future annexations, which added together would eat away at the county's budget. But it's not clear that losing El Prado businesses to the town would be that bad for the county's coffers. In fact, if the annexation goes forward and growth continues as expected along the highway corridor north of town, officials say both the town and the county could reap substantial benefits.

The flip side, of course, is that the added revenue comes out of the pockets of the businesses and residents in that area.

Before anyone panics, the whole scenario includes a lot of "ifs."

If annexation happens as presented (that is, the town takes only the highway right of way and airport), the immediate effect on the county's revenue would be limited to a half-cent of gross receipt tax (GRT) or around \$10,000 a year from the airport. At the same time, the town expects to get about \$28,000 a year in additional tax revenue — a fraction of the \$140,000 annual cost to run the airport.

Because the state reports economic activity at the airport alone, it is easy to calculate specific numbers. But individual business gross receipts are not publicly disclosed or even reported by area, so there is no way to be sure what kind of tax revenue would be generated if the town at some point began swallowing up any of the 60plus businesses in the stretch through El Prado and toward the gorge.

Like the calculations for the airport, the town would no doubt see a revenue bump from increased GRTs by annexing existing businesses. At the same time, the county would lose a smaller amount. But no one has yet given a public guess on what it all might add up to.

"I can't give you a figure," said deputy county manager Rick Bellis when asked what the county stands to lose. Yet whatever the loss of a half-cent of GRT is, Bellis said it will be more than made up by rising revenue from property values.

Since 2010, the county has approved \$4.8 million worth of development projects along the annexation corridor. Bellis has repeatedly pointed out that nearly all of the recent business growth in the county has been in that area, and if it continues, property values will rise.

“If more growth occurs, we go from \$500 a lot [in property tax revenue coming to the county] for sagebrush/agricultural, to \$2,000 a year before you even build on it,” Bellis said. “The property tax alone on any new development outstrips the loss of GRTs.”

The trouble for the county is that it wouldn’t see revenue from those increased property taxes until development actually happens. If annexed, the county loses the half-cent of GRT right away.

Taxed twice?

If annexation and growth are a plus for local governments, they could prove a burden for local businesses and residents.

If annexed, business owners in El Prado would see their property taxes go up by about 17 percent over the current tax rates. And because the town’s GRT is higher than the county’s, those businesses would also have to charge customers about 1 percent more in sales tax — something that liquor store owner Gonzales says would make already declining sales even worse.

The town currently provides fire protection in the area slated for annexation, and water and sewer taps are available from El Prado Water and Sanitation District. That means the town would be obligated to provide fewer services, and would be on the hook for less expensive things like police patrols or nuisance abatement.

While they’re outside the town boundaries, many El Prado properties are already hooked into water and sewer lines provided by El Prado Water and Sanitation. In fact, properties within that district boundary already pay an additional property tax and gross receipt tax to the district.

Those taxes don’t go away with annexation, says El Prado Water and Sanitation board member John Painter. Instead, they would be added to the higher town rates. A handful of properties on Upper Ranchitos are already paying those double fees.

Because it’s worried about the effect town taxes would have on its customers, El Prado Water and Sanitation is joining with Taos County in the legal fight against annexation.

Town manager Oscar Rodriguez is quick to point out that the fears of annexation are purely speculative and that the town has no interest in seeing a flood of annexation applications if the highway becomes part of the town.

Rodriguez said it would be up to property owners along the annexation corridor to petition the town for annexation. He said few businesses would worry about the town’s mill levy or additional sales tax, calling the increase “practically insignificant.” Rodriguez suspected that one reason businesses may want to become part of the town is to be under the town’s “pro-business” regulations.

On top of all the financial unknowns, there are also concerns that the threat of annexation beyond the highway right of way could create confusion when it comes to zoning issues.

At the request of the town, the county is preparing a resolution that would suspend any future annexations for one year so that both governments could figure out how to handle development issues.

Two “neighborhoods” — Las Colonias-West Mesa and Stagecoach — are adjacent to the highway right of way slated for annexation.

Robbie Knight with the Las Colonias-West Mesa neighborhood says members his group are concerned that their overall zoning plans could be upended if individual property owners are annexed and not subject to the same regulations. He said such a scenario would lead to “chaos” along the stretch of highway leading into town.

There are also concerns that businesses would be wary about expanding without knowing what regulations they may have to follow.

Bellis at the county says that kind of uncertainty over governmental jurisdiction could deter business growth at a time with the local economy desperately needs to regain its footing.

While the county says it’s put a lot of effort into working on zoning with those living and working in the area, development under the county’s existing code has been burdensome. Businesses that want to start up or expand typically have to go through a permitting process that can take years and costs tens of thousands of dollars. Often, the outcome of that process is unpredictable because approval can become political.

Last year, the county failed to pass a sweeping revision to its land use code, part of which is meant to make it easier for businesses to grow. It’s still unclear when or if the new regulations — which prompted heated debate last year — will be adopted.

Even if the new code is passed, it includes no zoning for the El Prado area, meaning business development would not be regulated by any specific plan as the draft code is now written.



Tina Larkin

El Prado residents and Taos County leaders spoke in opposition to the town of Taos' move to annex the regional airport and six miles of Highway 64. The county has expressed concern annexation will open the door for El Prado businesses, like those pictured here March 17, to become part of the town in the future.