



## Report on the Economic Development Revolving Fund

PRESENTATION TO THE  
NEW MEXICO FINANCE AUTHORITY  
LEGISLATIVE OVERSIGHT COMMITTEE

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## Statewide Economic Development Finance Act

2

- ◆ Statewide Economic Development Finance Act (“SWEDFA”) was established in 2003 to help stimulate the economy, particularly in rural and underserved areas of the state by creating financing tools that put New Mexico on par with neighboring states
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA makes loans
- ◆ SWEDFA requires that project funded from the EDRF must first receive legislative authorization prior to the NMFA financing the project. *This provision was temporarily suspended by the 2011 Legislature and was extended in 2013 and 2016. The suspension will sunset June 30, 2019*

## EDRF Capitalized by State & Federal Funds

3

- ◆ EDRF is segregated into two sub-accounts that account separately for State and Federal funds. Through the EDRF, NMFA operates two loan participation programs:
- ◆ **Smart Money Loan Participation Program** has received \$5.1 million in net State General Fund Appropriations
  - ◆ \$10 million GF appropriation in 2005; \$5 million was reverted for solvency in 2010
  - ◆ \$2 million appropriation in 2007; \$1.9 million was reverted for solvency in 2011
- ◆ The **Smart Money Loan Participation program** provides long-term, low cost financing to businesses located predominantly in rural New Mexico. In Smart Money, NMFA shares equally in the collateral available to a bank

## Smart Money Loan Participation Program

4

- ◆ To date, Smart Money has participated in five loans for projects located in Alamogordo, Raton, Las Vegas, Las Cruces and Hobbs
- ◆ Since the last report, NMFA has approved an additional loan for a new health care facility in Las Cruces. No other changes to the portfolio since the last report

Project	Participating Bank	Funding Date	Total Loan	Smart Money Portion	Smart Money %	Fiscal Year Funded
PreCheck Inc (Alamogordo)	Bank 34	July-16	\$ 4,418,750	\$ 849,592	19.2%	2007
Western Woods (Raton)	International Bank of Raton	October-06	\$ 4,900,000	\$ 1,274,000	26.0%	2009
Plaza Hotel (Las Vegas)	Valley National Bank	July-09	\$ 5,517,944	\$ 1,650,000	29.9%	2010
Resources for Children & Youth Inc. (Las Cruces)	Century Bank	November-12	\$ 2,800,000	\$ 1,319,570	47.1%	2013
Landmark at Desert Gardens (Hobbs)	Westem Commerce Bank	July-13	\$ 3,840,000	\$ 576,000	15.0%	2014
Sonoma, LLC (Las Cruces)	Citizens Bank of Las Cruces	Pending	\$ 5,740,000	\$ 1,592,500	27.7%	2017
<b>Totals - Smart Money Projects</b>			<b>\$ 27,216,694</b>	<b>\$ 7,261,662</b>	<b>26.7%</b>	

*NMFA has approved an additional 12 loans totaling approximately \$13.43 million that for various reasons did not move forward. The projects would have leveraged an additional \$32.43 million in bank financing*

## Smart Money Loan Portfolio

5

- ◆ PreCheck loan paid in full (11-2012) prior to its stated maturity
- ◆ On June 30, 2016, Western Wood Products filed for Chapter 11 Bankruptcy Protection. Current principal balance: \$1,226,955.
- ◆ Valley National Bank foreclosed on the loan in 2013 and the hotel was sold in 2014. The personal guarantees continue to be pursued. Principal balance (after liquidation): \$859,522; NMFA has fully reserved this amount.
- ◆ Family and Youth Inc. has leased the facility to New America Charter School and is performing as agreed. Current principal balance: \$1,134,924
- ◆ Landmark at Desert Gardens has completed its renovations and is performing as agreed. Current principal balance: \$496,471
- ◆ Sonoma, LLC which will fund a Fitness One in Las Cruces is expected to close soon

## EDRF Capitalized by State & Federal Funds

6

- ◆ **Collateral Support Participations:** \$8,168,350 in Federal funds received through the State Small Business Credit Initiative ("SSBCI")
  - ◆ The State was conditionally allocated \$13,168,350 in Federal funds for this loan participation program. The State met all of its commitments in June 2015
  - ◆ In SFY 2016, the NM Economic Development Department received approval from the Dept. of Treasury to redirect \$5 million of the Federal funds to establish *The New Mexico Catalyst Fund*, a fund of funds venture program operated by Sun Mountain Capital
  - ◆ The State completed its reporting requirements on March 31, 2017 and NMEDD has requested that NMFA return the funds as they are repaid for use in other Economic Development programs
- ◆ The **Collateral Support Participation program** provided short term financing, such as construction or working capital lines of credit. Using federal funds, NMFA was able to purchase "subordinated" collateral interest which allowed more capital to be advanced to a business

## Collateral Support Participation Program

7

- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer the federal fund
- ◆ The funds are intended to increase the flow of capital to small businesses
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016
- ◆ Since the first loan was made in May 2012, six loans have already been paid in full.
- ◆ Loans have been made to expanding businesses as well as start-ups
- ◆ All loans have paid as agreed

## Collateral Support Loans

8

Description	Lead Lender	Bank Portion of Financing	Maximum Loan Amount	Private Leverage	Total Project Financing	Status as of 7-31-2017
NEAR, LLC (Rio Grande Medical Clinic, Las Cruces)	Wells Fargo	\$ 3,710,570	\$ 1,000,000	\$ 417,164	\$ 5,127,734	Paid in Full
MW Holdings, LLC (BTI Construction Loan, Santa Fe)	Wells Fargo	\$ 5,027,000	\$ 1,256,000	\$ 517,924	\$ 6,800,924	Paid in Full
Cantor Properties (StarCryoelectronics Construction, Santa Fe)	Los Alamos National Bank	\$ 180,000	\$ 120,000		\$ 300,000	Paid in Full
Star Cryoelectronics (P.O. LOC, Santa Fe)	Los Alamos National Bank	\$ 120,000	\$ 80,000		\$ 200,000	Paid in Full
Haciendas at Grace Village, LLC (Mortgage, Las Cruces)	Western Bank of Alamos	\$ 2,024,802	\$ 357,318	\$ 2,125,000	\$ 4,507,120	Paid in full
Greater Albuquerque Habitat for Humanity (Mortgage, Albuquerque)	Wells Fargo	\$ 1,425,000	\$ 241,000	\$ 234,000	\$ 1,900,000	Current
Haciendas at Grace Village, LLC (Working Capital LOC, Las Cruces)	Western Bank of Alamos	\$ 300,000	\$ 200,000		\$ 500,000	Paid in Full
ELRC Properties, LLC (Children's Gardens, Las Cruces)	Wells Fargo	\$ 753,824	\$ 331,678		\$ 1,085,502	Current
Los Alamos Cooperative Market (Los Alamos)	Wells Fargo	\$ 1,113,750	\$ 119,000	\$ 247,500	\$ 1,480,250	Current
MW Holdings, LLC (BTI Mortgage, Santa Fe)	Bank of Albuquerque	\$ 5,248,000	\$ 1,145,000		\$ 6,393,000	Current
Perman I, LLC (Hampton Inn, Artesia)	First National Bank of Alamos	\$ 4,438,200	\$ 1,593,081	\$ 1,479,400	\$ 7,510,681	Current
Bugman, Inc. (Santa Fe)	Century Bank	\$ 180,625	\$ 31,875	\$ 37,500	\$ 250,000	Current
Mesa Quemado dba Don Juan Auto Body (Santa Fe)	Bank of Albuquerque	\$ 832,500	\$ 89,500		\$ 922,000	Current
Ambience Hospitality (Holiday Inn Express, Albuquerque)	Wells Fargo	\$ 3,500,000	\$ 450,000	\$ 1,525,000	\$ 5,475,000	Current
Gallup Pipeline & Compliance Services, LLC (Gallup)	Pinnacle Bank	\$ 145,452	\$ 23,668	\$ 42,780	\$ 213,900	Current
NME Enterprises (Marriott Townplace Suites Construction, Gallup)	First American Bank	\$ 5,184,000	\$ 1,296,000	\$ 1,923,684	\$ 8,403,684	Current
Wellspring Lot 8 (Fish Factory Swim School Construction, Rio Rancho)	Main Bank	\$ 1,496,000	\$ 641,000	\$ 377,000	\$ 2,514,000	Pending
		\$ 35,679,723	\$ 8,977,120	\$ 8,926,952	\$ 53,583,795	