



NEW MEXICO
FINANCE AUTHORITY

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Presentation to the
New Mexico Finance Authority Oversight Committee

Update on the Opportunity Enterprise and Housing Development Review Board

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July 2, 2024

Opportunity Enterprise and Housing Development Review Board



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- ❑ **Joe Farr, Chair**
Duke City Commercial, Albuquerque
 - ❑ **Nicole Martinez, Vice Chair**
Mesilla Valley Community of Hope, Las Cruces
 - ❑ **Mark Roper, Secretary**
NM Economic Development Department
 - ❑ **Mackenzie Bishop**
Abrazo Homes, Albuquerque
 - ❑ **Brian Condit**
NM Building & Construction Trades Council, Albuquerque
 - ❑ **Robert Doucette, Jr.**
NM General Services Dept.
 - ❑ **Dominic Garcia**
CBRE Investment Management, Santa Fe
 - ❑ **Isidoro Hernandez** (effective 5/15/24)
NM Mortgage Finance Authority
 - ❑ **Jennifer Garcia Kozlowski**
Boys and Girls Club of Greater Las Cruces, Las Cruces
 - ❑ **Priscilla Lucero**
Executive Director of SWNMCOG
 - ❑ **Laura Montoya**
NM State Treasurer
 - ❑ **Wayne Propst**
NM Dept. of Finance & Administration
 - ❑ **Vacant** Two Commercial Development Member
- ◆ Created in 2022, the Opportunity Enterprise Act (the “Act”) provides a partnership and funding program to support local communities in building and investing in commercial spaces to directly support their economic development initiatives.
 - ◆ In 2024, the Act was expanded to include a new fund that finances housing development projects, which includes construction of workforce housing and infrastructure for affordable housing.
 - ◆ The expanded Act created a 14-member Board comprised of industry experts that solicits, reviews and selects projects for recommendation to NMFA:
 - ❑ Six members are appointed by Legislative Council
 - ❑ Two are appointed by the Governor, and
 - ❑ Six are Ex-Officio members
 - ◆ The Act created in NMFA two funds:
 - ❑ Opportunity Enterprise Revolving Fund
 - ❑ Housing Development Revolving Fund
 - ❑ NMFA must determine that other means of financing are unavailable or insufficient before making a loan from either fund.

Opportunity Enterprise and Housing Development Review Board Activities



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- ◆ House Bill 195, which expanded the Act, became effective on May 15, 2024.
- ◆ On May 2nd, prior to the effective date, the Opportunity Enterprise Review Board formally initiated amendments to its Rule to conform it to changes made in House Bill 195 to the existing program and to include the Housing Development Revolving Fund.
 - On June 20th and 21st, NMFA held public hearings regarding the Rule change.
 - The now-Opportunity Enterprise and Housing Development Review Board (“OE Board”) is expected to approve the final Rule at its July 11th Board Meeting.
 - The Amended Rule is expected to be effective July 31st
- ◆ The OE Board operates its programs with Project Evaluation and Selection Policies that contain prioritization criteria.
 - At its June 13th Board Meeting, the OE Board directed NMFA to post proposed policies for the Housing Development Revolving Fund (“HDRF”) and amended policies for the Opportunity Enterprise Revolving Fund (“OERF”). NMFA accepted public comment until the end of June.
 - The OE Board is expected to approve the final policies at its July 11th Board Meeting.
- ◆ NMFA is required to establish its own rules for each of the funds, subject to the approval of the NMFAOC. NMFA expects to present the amended rules for the OERF and new rules for the HDRF at the August NMFAOC meeting. NMFA will also establish loan structuring policies for each fund.

- ◆ To date, NMFA has opened two competitive application rounds for the OERF. The first application round, which was limited to \$17.5 million, received 33 complete applications totaling \$136.2 million.
 - A team of 3 NMFA and 3 NMEDD staff members reviewed and ranked all 33 applications
 - Seven projects scored high enough to move onto the financial application, however, the highest ranked project requested the entire amount of funding allotted to the first cycle
 - Ultimately the timing of the first project was such that it was ultimately by-passed and will pursue NMFA funding when it is ready to proceed
 - One other project was funded by another NMFA program
 - One financing application was incomplete, two others withdrew from consideration
 - Two projects did not meet the underwriting standards set by the NMFA
- ◆ Following adjustments made to policy to bolster applications from rural communities, the NMFA opened a second application cycle. 12 complete applications were received.
 - Consistent with HB 195, applications from owner-occupied facilities were not accepted
 - Seven projects were prioritized for consider from NMFA which is currently underwriting the applications.
- ◆ NMFA is currently revising the application to address concerns that the process is taking too long. The Project and Financing applications will now be collected simultaneously.

- ◆ Highlights of the proposed amendments to OERF policies (as posted for public comment) prioritizes projects in four areas:
 - Community Impact (up to 35 points)
 - Community Support
 - Environmental Impact
 - Total Square Footage of Project (new)
 - Training and Apprenticeship
 - Re-Development
 - Location and Building Type (up to 25 points)
 - Project Location
 - Total Investment (new)
 - Building/Intended Business Type (new)
 - Applicant Need and Readiness (up to 30 points)
 - Qualified Development Team
 - Leveraging of Private Capital
 - Project Readiness
 - Project Designation (up to 10 points)
 - Target Industry
 - Economic Diversification

Opportunity Enterprise Fund

Key Financing Terms



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- ◆ Fund Concentrations
 - No more than 25% to any single County
 - No more than 50% to a single industry as defined by the two-digit North American Industry Classification System (NAICS)
- ◆ Statutory Requirements
 - Other means of funding are insufficient or unavailable
 - The project will create or expand economic development opportunities within the state
- ◆ Loan Terms
 - Loan Amount: Maximum of \$17,500,000.
 - Interest Rate: Fixed rate at 60% of the WSJ prime rate, but no less than 3%
 - Loan Term: 15-30 years. Up to three years of interest only period during construction and stabilization. The loan may be paid off in advance with no pre-payment penalty.
 - Collateral: Minimum loan-to-value of 80%. The loan may be subordinated to a loan made to the project by a federally insured financial institution.
 - Minimum equity contribution of 10%.
 - Guarantees required.

Key New Definitions

◆ Opportunity Enterprise Revolving Fund

- “**Enterprise Development Project** means a commercial real estate development project primarily occupied by businesses unrelated to the opportunity partner that involves the purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping, or maintaining of land, buildings or infrastructure to create or expand economic development opportunities within the state.”
- “**Unrelated Opportunity Enterprise Partner** means that the business ownership relationship between the developer and the tenant is limited. The developer or a third-party will not have control/ownership of the tenant. A Partner (Developer) should not have more than 30% affiliation with the tenant.
- “**Unrelated Percentage of Occupancy** means that the project developer/partner should not have more than 30% ownership of intended tenant or 30% occupancy of the proposed project.”
- “**Urban** means a continuously built-up area with a population of 60,000 or more. Urban areas may include one or more municipalities or census designated places.”
- “**Rural**” means any area not considered Urban.”

◆ Housing Development Revolving Fund

- “**Middle Income Workers** means families with incomes that fall between the lesser of a local jurisdiction’s upper limit for housing assistance by relevant housing type or by the MFA’s upper limit for housing development assistance and 300% of the US Housing and Urban Development Area Median Income for the county.”
- Urban and Rural (same as above)
- Other definitions align with Mortgage Finance Authority’s definitions as much as possible.

- ◆ Goal of prioritization policies is to catalyze below-market housing production across the state.
- ◆ Statewide data on housing needs not readily available.
- ◆ OE Board articulated a goal of closing project funding gaps of ready projects rather than “lender of last resort” projects.
- ◆ Prioritization policies do not differentiate by type of housing development project (affordable infrastructure v workforce development), type of housing (multi-family v single family), type of development (Greenfield v redevelopment), type of borrower (for-profit v non-profit), nor location of project (rural v urban).
- ◆ Highlights of the proposed policies for the HDRF (as posted for public comment) prioritizes projects in four areas:
 - Community Need and Alignment (up to 35 points)
 - Project’s ability to meet known demand (from a Market Study)
 - Location: Projects in rural communities are awarded points
 - Location proximity to amenities, including public transportation
 - Re-Development (infill, adaptive reuse, rehabilitation or redevelopment of vacant properties)
 - Local Preference: projects developed and contracted by a NM business
 - Universal Design

- ❑ Fund Efficiency (up to 30 points)
 - Fund leverage
 - Funds requested per dwelling unit
 - Duration of assistance
- ❑ Applicant Need and Readiness (up to 15 points)
 - Financial Soundness
 - Qualified Development Team
 - Project Readiness
- ❑ Supportive Land Use Policies (up to 20 points)
 - Incentives
 - Zoning
 - Land Use Approvals
 - Allowance for Varied Housing Types