



NEW MEXICO
FINANCE AUTHORITY

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Presentation to NMFA Oversight Committee

Economic Development Revolving Fund Report

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Statewide Economic Development Finance Act

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- ◆ 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
- ◆ SWEDFA requires that NMFA provide two reports to the NMFA Oversight Committee during the interim. This is the NMFA’s first report for 2023



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State Small Business Credit Initiative 2.0



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- ◆ Reauthorized and expanded by the American Rescue Plan, SSBCI 2.0 is providing ~\$10 billion to states to support small businesses financing programs and entrepreneurship, with a focus on Socially and Economically Disadvantaged Individuals (SEDI) and Very Small Businesses (VSB):
 - SEDI businesses are located in distressed communities (as defined by Department of Treasury) or owned by individuals with historically diminished access to credit
 - Very Small Businesses are defined as businesses with fewer than 10 employees
- ◆ In the fall of 2022 New Mexico received an award of up to \$74.5 million to be disbursed in three tranches of ~\$22 million. The total award amount includes ~\$6 million of SEDI incentive which is granted if New Mexico deploys at least 57% to SEDI-owned small businesses
- ◆ NMEDD's application to Treasury outlined two programs:
 - \$ 9 million for a collateral support (operated under the name Collateral Assistance Program)
 - Over 10 months, NMEDD provided \$2.3 million in credit support to 14 small businesses
 - 9 of the 14 are certified SEDI-owned businesses, representing 65% of total deployed and exceeding the state's SEDI allocation target
 - \$ 65 million to New Mexico Growth Fund (equity/venture capital funds)
 - NMFA/NMEDD will be requesting to reallocate as much as \$50 million in VC to debt programs

Reallocating SSBCI Funding: Why these programs?

- ◆ NMFA commissioned Next Street to perform a Small Business Capital Landscape Research Report to help inform how the NMFA Venture Capital Program and SSBCI funding could be best utilized in New Mexico.
- ◆ New Mexico Small Business Landscape findings:
 - There are ~ 168,000 small businesses with less than 50 employees in New Mexico
 - 75% New Mexico small businesses do not have paid employees
 - Small businesses account for 47% of private employment (~300k jobs) in the state
 - 94% of small businesses in New Mexico have < 10 employees and meet the federal definition of 'very small businesses'
 - 42% of employer small businesses are in rural communities
 - Minority-owned businesses are significantly underrepresented in small business ownership statewide

Summary of Modification Request



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<u>Program</u>	<u>Type</u>	<u>Original Allocation</u>	<u>Requested Redistribution</u>	<u>Proposed Allocation</u>
NM Growth Fund	VC	65,488,000	(42,999,195)	22,488,805
Collateral Assistance Program	CSP	9,000,805	10,999,195	20,000,000
Loan Participation Program	LPP	-	27,000,000	27,000,000
Capital Access Program	CAP	-	5,000,000	5,000,000
Total		74,488,805	-	74,488,805

Economic Development Revolving Fund



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- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA makes loans. EDRF is currently segregated into five sub-accounts:
 - ❑ **Smart Money** is a State funded loan participation program
 - ❑ **Collateral Support Participation** was Federally funded State Small Business Credit Initiative (SSBCI) loan participation program
*\$27,000,000 additional funding from modification request
 - ❑ **Capital Access Program** will be funded with the Federal State Small Business Credit Initiative (SSBCI) loan loss reserve fund
*\$5,000,000 new capital investment from modification request
 - ❑ **Essential Services Working Capital Program** provided direct working capital loans to essential service providers during pandemic
 - ❑ **Cannabis Microbusiness Program (CMP)** provided start up capital to licensed cannabis micro-businesses

Smart Money Loan Participation

- ❑ Lending alongside banks and credit unions to lower borrowing costs and share risk
- ❑ Interest rates based on Treasury rates (e.g., Treasury rate + risk adjustment of typically 1.5% - 2%)
- ❑ Loan amounts up to \$2,000,000 or 49% of total financing

Description	Location (County)	Participating Bank	Maturity Date	Total Project Financing	NMFA Portion	NMFA %	Loan Balance	Status as of 6.30.24	# of Jobs Created
Younger Enterprise, LLC	Dona Ana	Century Bank	9/4/2029	\$ 1,533,533	\$ 751,431	49%	\$ 641,792	Current	10
Memorial Ventures, LLC	Bernilillo	Enterprise Bank and Trust	10/30/2025	\$ 12,220,831	\$ 1,200,000	10%	\$ 1,084,894	Current	24
PreCheck	Otero	Bank 54	7/14/2026	\$ 4,418,750	\$ 849,592	19%	\$ 0	Paid in Full 10-25-2012	95
Western Woods*	Colfax	International Bank	12/10/2036	\$ 2,202,500	\$ 1,274,000	58%	\$ 0	Settled 4-29-2019	56
Plaza Hotel**	San Miguel	Valley National Bank	8/31/2024	\$ 5,517,944	\$ 1,650,000	30%	\$ 0	Foreclosure 7-9-2013	14
Landmark at Desert Gardens	Lea	Western Commerce Bank	4/1/1933	\$ 3,840,000	\$ 576,000	15%	\$ 0	Paid in Full 11-6-2017	10
Resources for Children & Youth Inc.	Dona Ana	Bank of the Rio Grande	11/20/2022	\$ 2,800,000	\$ 1,319,570	47%	\$ 0	Paid in Full 4-13-2021	28
Total Portfolio				\$ 32,533,558	\$7,620,593	32%	\$1,726,686		237

SSBCI Collateral Support



SSBCI Collateral Support Participation Program – Loan Participation

- NMFA purchases subordinated interest in loans underwritten by banks to lower borrowing costs

Description	Location (County)	Participating Bank	Maturity Date	Total Project Financing	NMFA Portion	NMFA %	Loan Balance	Status as of 6.30.2024	# of Jobs Created
MW Holdings, LLC (Permanent - BOK)	Santa Fe	Bank of Albuquerque	3/24/2024	\$ 5,248,000	\$ 1,145,000	22%	\$ 0	Paid in Full 6-26-24	36
Permian I, LLC (Permanent)	Eddy	First National Bank of Alamogordo	7/15/2026	\$ 4,438,200	\$ 1,593,081	36%	\$ 0	Paid in Full 3-14-24	21
Los Alamos Cooperative Market	Los Alamos	Washington Federal	12/15/2023	\$ 1,113,750	\$ 119,000	11%	\$ 0	Paid in Full 12/28/2023	8
Ambience Hospitality	Bernilillo	Wells Fargo	5/27/2025	\$ 3,500,000	\$ 450,000	13%	\$ 0	Paid in Full 11-29-2022	25
Greater Albuquerque Habitat for Humanity	Bernilillo	Wells Fargo	5/28/2023	\$ 1,425,000	\$ 241,000	17%	\$ 0	Paid in Full 5-5-2021	31
NEAR, LLC	Dona Ana	Wells Fargo	5/1/2023	\$ 3,710,570	\$ 1,000,000	27%	\$ 0	Paid in Full 4-15-2016	18
MW Holdings, LLC (Construction - Wells)	Santa Fe	Wells Fargo	10/23/2013	\$ 5,248,000	\$ 1,256,000	24%	\$ 0	Paid in Full 3-28-2014	36
Cantor Properties (StarCryo Construction)	Santa Fe	Los Alamos National Bank	10/23/2013	\$ 180,000	\$ 120,000	67%	\$ 0	Paid in Full 1-31-2014	0
Star Cryoelectronics (P.O. LOC)	Santa Fe	Los Alamos National Bank	10/23/2013	\$ 120,000	\$ 80,000	67%	\$ 0	Paid in Full 1-2-2014	5
Haciendas at Grace Village, LLC - Mtg	Dona Ana	Western Bank of Alamogordo	7/25/2033	\$ 2,024,802	\$ 357,318	18%	\$ 0	Paid in full 4-27-2017	41
Haciendas at Grace Village, LLC - LOC	Dona Ana	Western Bank of Alamogordo	5/14/2016	\$ 300,000	\$ 200,000	67%	\$ 0	Paid in Full 6-6-2016	0
ELRC Properties, LLC	Dona Ana	Wells Fargo	10/30/2020	\$ 753,824	\$ 331,678	44%	\$ 0	Paid in Full 3-5-2019	6
NME Enterprises	McKinley	First American Bank	10/20/2017	\$ 5,184,000	\$ 1,296,000	25%	\$ 0	Paid in Full 10-20-2017	20
Mesa Quemado dba Don Juan Auto Body	Santa Fe	Bank of Albuquerque	12/22/2034	\$ 832,500	\$ 89,500	11%	\$ 0	Paid in Full 12-8-2021	5
Bugman, Inc.	Santa Fe	Century Bank	10/9/2029	\$ 180,625	\$ 31,875	18%	\$ 0	Paid in Full 3-6-2020	10
Gallup Pipeline & Compliance Services, LLC	McKinley	Pinnacle Bank	3/20/2025	\$ 145,452	\$ 25,668	18%	\$ 0	Paid in full 2-3-2022	10
Total Portfolio				\$ 34,404,723	\$ 8,336,120	26%	\$ 0		215

Essential Services Working Capital Program



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Essential Services – Bridge Capital

- ❑ Established in April 2020 to provide emergency funding for essential services providers during the COVID pandemic
- ❑ Direct working capital loans up to \$ 1 million to fund operating expenses (payroll, utilities, supplies, rent/mortgage payments)
- ❑ Eligible entities are for-profit and non-profit essential services providers including:
 - Rural hospitals, behavioral health and substance abuse providers
 - Dentists
 - Childcare operators
 - Walk-in healthcare facilities and residential healthcare facilities offering medical services
 - Pharmacies
 - Medical supply and equipment manufacturers and distributors
 - Research facilities
- ❑ Line of credit for one year that may be converted to term loans up to five years
- ❑ Secured by business assets, requires personal guarantees for owners of >20%
- ❑ Interest rates of 1%
- ❑ No application fee, no closing fees, no prepayment penalties

Essential Services Working Capital Program

Client	Location (County)	Sector	Essential Services	Original Amount	Loan Balance	Status as of 6-30-2024
Reliance Medical Group LLC	San Juan	62 - Health Care and Social Assistance	Rural medical center	\$ 150,000	\$ 94,697	Current
Ponderosa Montessori Inc	Los Alamos	62 - Health Care and Social Assistance	Childcare provider	\$ 250,000	\$ 138,185	Current
Build with Robots Inc	Bernalillo	31-33 - Manufacturing	Production of sanitizing robots for large areas	\$ 618,750	\$ 0	Paid in Full
RingIR Inc	Bernalillo	31-33 - Manufacturing	Viral detection and screening	\$ 58,300	\$ 6.45	Current
Santa Fe Recovery Center Inc	Santa Fe	62 - Health Care and Social Assistance	Substance abuse treatment center	\$ 874,000	\$ 245,962	Current
Covenant Schools of America LP	Bernalillo	62 - Health Care and Social Assistance	Childcare provider	\$ 375,000	\$ 110,614	Current
Las Cruces Machine Manufacturing and Engineering Inc	Dona Ana	31-33 - Manufacturing	Machine shop converting to meet demand for medical components	\$ 100,000	\$ 24,545	Current
Net Medical Xpress Solutions Inc	Bernalillo	62 - Health Care and Social Assistance	Teleneurology/surgery provider to rural hospitals and UNM	\$ 100,000	\$ 32,475	Current
First Choice Community Healthcare Inc	Bernalillo	62 - Health Care and Social Assistance	Medical services clinic	\$ 900,000	\$ 192,866	Current
David J Ortega DDS PC	Santa Fe	62 - Health Care and Social Assistance	Dental care	\$ 100,000	\$ 0	Paid in Full
Las Cumbres Community Services Inc	Rio Arriba	62 - Health Care and Social Assistance	Non-profit serving developmentally disabled children, adults and families	\$ 320,000	\$ 0	Paid in Full
Rio Grande Hematology and Oncology LLC	Dona Ana	62 - Health Care and Social Assistance	Cancer specialist serving immune compromised patients	\$ 150,000	\$ 38,146	Current
Rhino Health Inc	McKinley	31-33 - Manufacturing	Neutrite glove manufacturer	\$ 1,000,000	\$ 0	Paid in Full
Albuquerque Speech Language and Hearing Center	Bernalillo	62 - Health Care and Social Assistance	Nonprofit speech therapy service provider	\$ 65,000	\$ 0	Paid in Full
Telshor Family Clinic LLC	Dona Ana	62 - Health Care and Social Assistance	Primary healthcare services	\$ 200,000	\$ 0	Paid in Full
Childrens Choice Child Care Services	Bernalillo	62 - Health Care and Social Assistance	Childcare provider	\$ 250,000	\$ 0	Paid in Full
Well Life ABQ LLC	Bernalillo	62 - Health Care and Social Assistance	Primary healthcare for under and uninsured	\$ 73,800	\$ 11,710	Current
			Total	\$ 5,584,850	\$ 889,212	

Cannabis Microbusiness – Access to Start-Up Capital

- ❑ Pilot program created to improve access to capital for the smallest agricultural producers in the emerging cannabis industry
- ❑ Provided direct working capital loans to licensed microbusinesses of up to \$250,000 at interest rates of 2-3% and terms from 3-5 years
- ❑ No longer accepting applications due to high underwriting costs, borrower challenges meeting collateral requirements and industry volatility

Client	Year	Location (County)	Original Amount	Loan Balance
Carver Family Farm	2022	Bernalillo	\$ 150,000	\$ 67,011
Herban Oasis, LLC	2022	Bernalillo	\$ 250,000	\$ 244,946
Serrano Springs Ranch, LLC	2022	Doña Ana	\$ 160,000	\$ 159,964
Grey Moon Operations, LLC	2022	Lea	\$ 250,000	\$ 235,943
The Mem-o, LLC	2022	Sandoval	\$ 250,000	\$ 250,000
High There, LLC	2023	Doña Ana	\$ 250,000	\$ 247,038
		Total	\$ 1,310,000	\$ 876,798