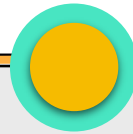




NEW MEXICO  
**FINANCE AUTHORITY**



Presentation to the Legislative Finance Committee

## **Update on the New Mexico Finance Authority**

Marquita Russel, CEO  
Fernando Martinez, Deputy Director

October 24, 2024

## NMFA Governance

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- **Kathy Keith, Chair**
  - **Martin Suazo, Vice Chair**
  - **AJ Forte, Secretary**  
Executive Director, New Mexico Municipal League
  - **Rob Black**  
Secretary Designate, NM Economic Development Dept
  - **Andrew Burke**
  - **Teresa Costantinidis**  
Senior Vice President for Finance & Administration  
University of New Mexico
  - **Joy Esparsen**  
Executive Director, New Mexico Counties
  - **Melanie Kenderdine**  
Secretary Designate, Energy, Minerals and Natural Resources
  - **James Kenney**  
Secretary, NM Environment Dept
  - **Ronald Lovato**
  - **Wayne Propst**  
Secretary, NM Dept of Finance & Administration
- ◆ Broad-based finance agency created in 1992 as a government instrumentality
  - ◆ Governed by an 11-member independent Board
    - Approves rules, policies, and projects
    - Oversees operations and approves budget
    - Active Committee process provides high level of oversight of NMFA's diverse and complex operations
  - ◆ Expansive programming and service to New Mexico
    - Authorized to operate 25 programs through 13 Acts
    - New Mexico Finance Authority Act
      - Purpose: "...to coordinate the planning and financing of state and local public projects ... and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects."
    - Statewide Economic Development Finance Act
      - Purpose: "assist eligible entities in financing projects" and to promote "achievement of economic development goals..."
  - ◆ Administrator of four other Boards and their respective committees and one Executive Task Force
  - ◆ Overseen by 29-Member NMFA Oversight Committee

# Statutory Authority

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Active?	Funded	FY	Program Name	Enabling Act	Statute	Policy Partner
✓	✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0	Legislature
✓		1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4	DOH
✓	annually	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4	NMED
		1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3	Legislature
✓	annually	2001	Water Project Fund	Water Project FinanceAct	72-4A-9	WTB/Leg
✓	✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4	Various
✓		2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1	NMEDD
·	✓	2003	Child Care Facility Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0	ECECD
·		2004	Acequia Project Fund	Water Project FinanceAct	72-4A-9.1	WTB/ISC/Leg
✓	·	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4	HCA
·		2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5	EMNRD
		2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8	DOT
✓	✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1	FNM/NMEDD
		2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12	DOT
✓	annually	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0	CIB
·	✓	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓	·	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12	FNM/NMEDD
✓		2021	Small Business Recovery Loan Fund	Small Business Recovery Act of 2020	6-32-1	Legislature
		2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16	NMEDD/Leg
✓		2022	Cannabis Microbusiness Program	Statewide Economic Development Finance Act	6-25-6	RLD/NMEDD
✓	✓	2022	Venture Capital Fund	Venture Capital Program Act	6-33-3	(NMEDD)
✓	✓	2022	Charter School Facility Revolving Fund	Charter School Facility Improvement Act	6-21-6.16	(PSCOC)
✓	✓	2022	Opportunity Enterprise Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-12	OE&HDRB
✓	✓	2024	SSBCI Capital Access Program	Statewide Economic Development Finance Act	6-25-6	NMEDD
✓	✓	2024	Housing Development Revolving Fund	Opportunity Enterprise and Housing Development Act	6-34-1	OE&HDRB

# Program Activity Driven by Funding Levels



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- ◆ Most NMFA programs have received limited or single capitalization of funds. Only five NMFA programs have predictable funding levels:
  - Public Project Revolving Loan Fund (frequent replenishment through regular bond issuances)
  - Drinking Water State Revolving Loan Fund (annual federal Capitalization Grants)
  - Water Project Fund (8.1% STB earmark through Water Trust Board)
  - Colonias Infrastructure Project Fund (4.5% STB earmark through Colonias Infrastructure Board)
  - Local Government Planning Fund (Periodic appropriations from PPRF)
- ◆ Majority of funding (~97%) through Statewide Economic Development Finance Act has come directly or indirectly from federal sources:
  - New Markets Tax Credit program - Private capital incentivized through federal tax credits: \$346 million awarded since 2008
  - Collateral Support Participation Program – federal State Small Business Credit Initiative: \$13 million in 2011; approximately \$50 million expected from new SSBCI funding (FY25)
  - Smart Money Loan Participation – State-funded loan participation: \$5.1 million (2006)
  - Essential Services Working Capital Program – Short-term stabilization loans for critical service providers during pandemic: \$5.6 million from NMFA reserves (2021)
  - Cannabis Microbusiness Program – Short-term start-up loans for newly licensed cannabis businesses: \$1.3 million from NMFA reserves (2022)

# Public Project Revolving Fund



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- ◆ **PPRF makes low-cost loans to State, local and Tribal governments to finance public infrastructure and equipment**
  - Borrowers receive the PPRF's 'AAA' interest rates regardless of the borrower's credit or size
  - NMFA's approval includes a 90-day interest rate cap
  - No fees since January 2020; NMFA absorbs underwriting, rating and other issuance costs, and produces the Official Statements, resulting in savings of time, effort, and costs to the borrower
  - Applications accepted monthly; applicants seeking to borrow more than \$1 million must first receive authorization by the legislature
  
- ◆ **In addition to low 'AAA' interest rates, clients with Median Household Incomes ("MHI") below the State's MHI may receive Disadvantaged Entity Funding:**
  - Clients with an MHI between 80% - 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest rate
    - Equipment loans may receive up to \$150,000 in disadvantaged funds
    - Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding, up to \$500,000
    - Clients are limited to \$500,000 of disadvantaged funds per fiscal year
    - Disadvantaged entity funding is not provided for loans greater than \$5 million or for refunding loans
  
- ◆ **In FY 2024, NMFA created a new Junior Lien program which allows NMFA to fund more non-traditional projects, such as Public Improvement Districts and Charter Schools, without impacting the capacity for traditional loans**

# 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
- ❑ **Rob Black, 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**  
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 Members

- ◆ 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 (“OERF”)
  - ❑ Housing Development Revolving Fund (“HDRF”)
  - ❑ NMFA must determine that other means of financing are unavailable or insufficient before making a loan from either fund.

# Opportunity Enterprise Program Activity



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- ◆ To date, NMFA has opened three 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
    - The top-rated project was eventually by-passed because the project timing was delayed
    - One 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; NMFA has approved two for funding totaling \$19 million
- ◆ The latest application round just closed
  - 11 HDRF applications were submitted requesting a total of \$60 million (for \$250 million of total project costs)
    - 3 of the 11 are located in rural areas
    - 6 projects supporting workforce development housing; 5 project supporting affordable housing infrastructure projects
  - 12 OE applications were submitted requesting a total of \$97 million (for \$168 million of total project costs)
    - 5 of the 12 projects are located in rural areas

# Statewide Economic Development Finance Act

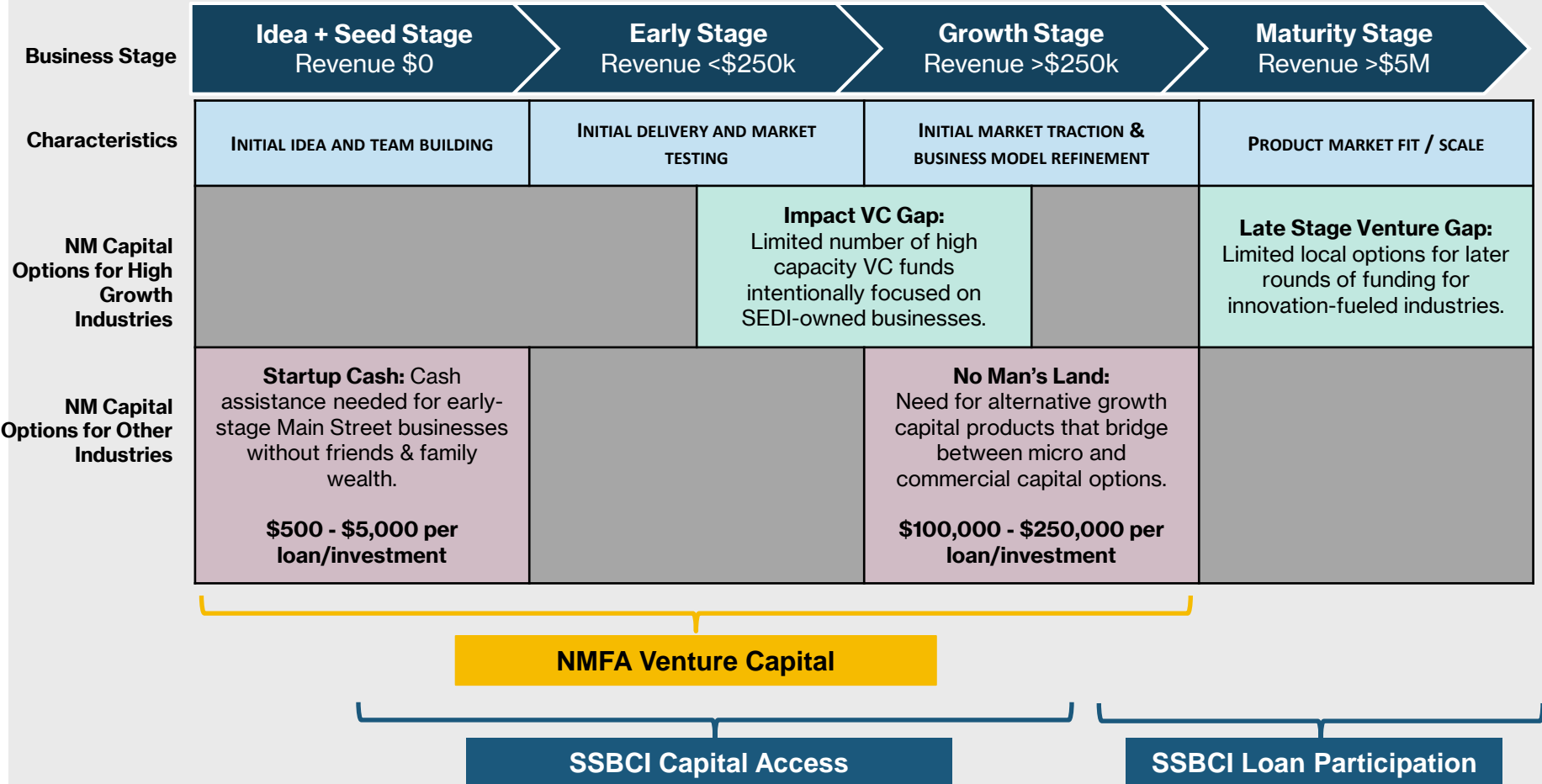


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- ◆ The Statewide Economic Development Finance Act (“SWEDFA”) assigns powers and duties to the New Mexico Economic Development Department (“NMEDD”) and NMFA to jointly administer several programs seeking to increase business activity in rural and underserved areas, attract new and retain and expand existing businesses, and promote an environment suitable for start-up and emerging businesses throughout the state
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA may make loans, purchase loan participations and bonds, and provide guarantees. Program success has been limited by availability of capital as only \$5.1 million of state funding has been provided since its inception in 2003
- ◆ In the fall of 2022 NMEDD received an award of up to \$74 million of federal State Small Business Credit Initiative with funding to be disbursed in three equal tranches of ~\$22 million over ten years.
- ◆ NMFA entered into an MOU with NMEDD to administer programs authorized by Treasury. New Mexico was recently approved for four programs:
  - Collateral Assistance Program operated by NMEDD
  - Loan Participation Program operated by NMFA
  - Capital Access Program operated by NMFA
  - Venture Capital Program operated by NMFA



# NMFA New Program Opportunities



# NMFA New Program Parameters



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	NMFA Venture Capital	SSBCI Capital Access	SSBCI Loan Participation
<b>Target capital providers</b>	Venture private equity funds	CDFIs, credit unions, banks	Banks, credit unions, CDFIs (direct co-lending )
<b>Target enterprises</b>	Early-stage businesses 1 to 50 employees	For and non-profit with < 100 employees	For and non-profit with < 500 employees
<b>Transaction sizes</b>	\$50,000 to \$2,000,000	\$10,000 to \$1,500,000	\$7,500,000
<b>Participation percentage</b>	Up to 60%	7%	10-40%
<b>Product types</b>	Equity or debt investment	Line of credit, term loans	Line of credit, term loans
<b>Typical term</b>	4 to 12 years	1 to 7 years	1 to 25 years
<b>Use of proceeds</b>	Start-up, expansion, business development	Buildings (purchase, construction & renovation), equipment, working capital	

# Venture Capital Program Act



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- ◆ Created during the 2022 Legislative Session and substantially expanded during the 2023 Session, the Venture Capital Program Act authorizes NMFA to make investments in NM businesses that enhance economic development objectives of the state and create new jobs
- ◆ Investments are made for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development. Investments are made as equity or debt through:
  - Venture private equity funds – an entity that makes, manages or sources potential investments. Has at least one full-time, experienced manager
  - Direct Investment
- ◆ NMFA adopted Venture Capital Rules and a Venture Capital Investment Policy that guides the investment of \$50 million in state Venture Capital Program funds and approximately \$15 million in federal State Small Business Credit Initiative funds
- ◆ Investment Policy provides guidance:
  - Federal funds must be matched 1:1 with private capital
  - State funds must be matched .7:1 with capital from accredited investors
  - At this time, only supports investments in Venture Private Equity Funds

Fund (Vintage)	Manager	Objectives	Total Committed (% of Target Fund Size)	Mission & Diversification Objectives <sup>1</sup>				
				Local Cos.	Local Jobs	Under-served	Diverse Sector	Private \$
<b>Raven II (2022)</b>	<a href="#"><u>Raven Indigenous Capital Partners</u></a>	Invests in early stage Native-owned companies building sustainable Native economies	\$7.5m (7%)					
<b>Tramway III (2023)</b>	<a href="#"><u>Tramway Ventures</u></a>	Investing in New Mexican early stage medtech, biotech, and healthtech companies	Up to \$7m (18%)					
<b>Dangerous NM I (2024)</b>	<a href="#"><u>Dangerous Ventures</u></a>	Invests in early-stage New Mexican companies building a sustainable future	Up to \$5m (25%)					
<b>Advance New Mexico (2024)</b>	<a href="#"><u>Mission Driven Finance</u></a>	Invests gap-filling growth capital (flexible debt) for expanding New Mexico small businesses	Up to \$10m (50%)					
<b>Tiverton II (2024)</b>	<a href="#"><u>Tiverton Advisors</u></a>	Specialist investing in food and agricultural production sectors	\$5m (1%)					
<b>Vamos II (2024)</b>	<a href="#"><u>Vamos Ventures</u></a>	Invests in Latinx and diverse teams leading scalable, tech-driven companies	\$7.5m (8%)					
<b>Rethink III (2024)</b>	<a href="#"><u>Rethink Impact</u></a>	Investing in women-led businesses using technology to solve the world's biggest problems	\$2m (1%)					

Key: ● = Very strong ● = Strong ◐ = Medium ◑ = Weak

Expected impact in each objective assessed as low, medium, strong or very strong during due diligence

At its October 31<sup>st</sup> meeting, the Board will consider a \$10 million investment in Perennial Fund II, a credit fund operated by Mad Capital that will support farms and ranches transitioning to regenerative and organic farming. That fund is expected to have a medium impact on local businesses and local jobs, very strong impact in underserved communities and sector diversification, and strong impact in attracting additional private investment

- ◆ Advance New Mexico is a bespoke program seeking to fill “no man’s land”
- ◆ Operated by Mission Driven Finance, an impact asset management firm dedicated to building a financial system that ensures impactful businesses have access to sufficient, affordable capital.
- ◆ Advance New Mexico makes capital available to New Mexico-based small businesses and nonprofits owned or led by entrepreneurs and leaders from underserved communities. Underserved communities refers to populations sharing a particular characteristic, as well as geographic communities that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life, including persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.
  - \$100,000 to \$1.5 million loans
  - Loan terms between 3 and 30 months
  - 11.5% interest rate\*\* (as of July 2024)
  - \$250 application fee; 2.5% closing fee
  - No prepayment penalty fee
  - No credit scores required
  - No personal guarantees required
  - Revenue-based financing available

# FY 2025 Proposed Legislation:



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- ◆ PPRF Authorization Bill
  - 150 entities expected to appear on the initial list
  
- ◆ WTB Authorization Bill
  - 84 applications submitted totaling \$238 million are expected to be recommended by the Water Trust Board
  - Approximately 165 million is expected to be available
  
- ◆ PPRF Appropriation Bill – request to transfer PPRF dollars after bonds are paid to three funds
  - NMFA Act § 6-21-6.1 provides that at the end of the fiscal year after all debt service is made, reserve requirements are satisfied, and administrative costs paid, an amount not to exceed 35% of the previous year's Governmental Gross Receipt Tax may be appropriated by the legislature to one of seven funds. FY2024 GGRT totaled \$38,084,107 (35% = \$13,329,437)
    - Drinking Water State Revolving Fund (for 20% state match) - \$6.25 million
    - Local Government Planning Fund - \$2 million
    - Cultural Affairs Facilities Infrastructure Fund - \$5 million
    - No request from NMED for Clean Water State Revolving Fund state match this year (last year's CWSRF match came from general fund instead of PPRF because PPRF did not have enough capacity)
  
- ◆ Drinking Water State Revolving Loan Fund Act technical clean ups
  
- ◆ Request for appropriations to three funds
  - \$25 million each to the Primary Care Capital Fund and Behavioral Health Capital Fund
  - \$10 million to the Child Care Facility Revolving Loan Fund