



NEW MEXICO
FINANCE **AUTHORITY**

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

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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 state
- ◆ SWEDFA partners the NMFA with New Mexico Economic Development Department (“NMEDD”) in operating several programs
- ◆ SWEDFA requires that staff provide two reports to the NMFA Oversight Committee during the interim. This is the NMFA’s second report for 2016
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA makes loans. EDRF is segregated into two sub-accounts that account separately for State and Federal funds

EDRF Capitalized by State & Federal Funds

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- ◆ **Smart Money : \$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
- ◆ **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 the commitments in June 2015
 - ◆ In FY 2016, Dept. of Treasury approved NMEDD’s request to redirect \$5 million of the Federal funds to establish an early stage equity program

Loan Participation Programs

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- ◆ 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
- ◆ The **Collateral Support Participation program** provides short term financing, such as construction or working capital lines of credit. In the Collateral Support program, the NMFA is able to purchase “subordinated” collateral interest which allows more capital to be advanced to a business
- ◆ The programs are governed by Rules and Regulations established for the Economic Development Revolving Fund and separate sets of policies

Benefits of Loan Participations

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- ◆ A loan participation allows NMFA to participate in a business loan by buying a portion of a loan made by a local bank
- ◆ With NMFA's participation programs, the bank applies to the NMFA on behalf of a business by submitting the information the bank used to reach its lending decision
- ◆ Participations allow NMFA to fill financing gaps and lower costs for New Mexico businesses
- ◆ The bank originates and services the loan as it otherwise would. The borrower works only with the originating bank and does not have duplicate paperwork or costs
- ◆ NMFA underwrites and monitors the loans as it otherwise would

Smart Money Loan Participation Program

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- ◆ 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)	Western 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
Totals - Smart Money Projects			\$ 27,216,694	\$ 7,261,662	26.7%	

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

Collateral Support Participation Program

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- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer the \$13.2 million in funding made available through the Federal Small Business Jobs Act of 2010 and overseen by the US Dept. of Treasury
- ◆ 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
- ◆ In SFY 2016, NM Economic Development Department received approval from US Dept. of Treasury to redirect \$5 million to capitalize an early stage equity program managed by Sun Mountain Capital. Funds were transferred on June 30, 2016

Collateral Support Portfolio Highlights

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- ◆ Since the first loan was made in May 2012, five loans have already been paid in full. Those repaid loan funds are being used to fund other loans
- ◆ Loans have been made to expanding businesses as well as start-ups
- ◆ All the loans have been made to businesses that were started in the state of New Mexico
- ◆ High level of customer satisfaction. Partner banks continue to inquire about potential new financings
- ◆ Community banks have begun to get comfortable with the program and understand its ability to help attract new businesses to their banks
- ◆ All loans continue to be paid as agreed

Collateral Support Loans

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Borrower, Project, Location	Lending institution	Bank Portion of Financing	SSBCI Portion	Private Leverage	Total Project Financing	# of Jobs Created
NEAR, LLC (Rio Grande Medical, Las Cruces - Paid Off)	Wells Fargo	\$ 3,710,570	\$ 1,000,000	\$ 417,164	\$ 5,127,734	18
BTI (BTI, Santa Fe - CL Paid Off)	Wells Fargo	\$ 5,027,000	\$ 1,256,000	\$ 517,924	\$ 7,150,924	36
Cantor Properties (Star Cryoelectronics, Santa Fe - CL Paid Off)	Los Alamos National Bank	\$ 180,000	\$ 120,000	\$ -	\$ 300,000	
Star Cyroelectronics (Santa Fe - LOC - Paid Off)	Los Alamos National Bank	\$ 120,000	\$ 80,000	\$ -	\$ 200,000	5
Circle 7 Properties (Haciendas at Grace Village, Las Cruces)	Western Bank of Alamogordo	\$ 2,024,802	\$ 357,318	\$ 2,125,000	\$ 4,507,120	41
Habitat for Humanity (Albuquerque)	Wells Fargo	\$ 1,425,000	\$ 241,000	\$ 234,000	\$ 1,900,000	25
Haciendas at Grace Village (Las Cruces - LOC - Paid Off)	Western Bank of Alamogordo	\$ 300,000	\$ 200,000	\$ -	\$ 500,000	
ELRC Properties III (Children's Gardens, Las Cruces)	Wells Fargo	\$ 631,750	\$ 113,250	\$ -	\$ 745,000	3
ELRC Properties VI (Children's Gardens, Las Cruces)	Wells Fargo	\$ 1,222,074	\$ 218,428	\$ -	\$ 1,440,502	3
Permian Hotel I, LLC (Hampton Inn, Artesia)	First National Bank of Alamogordo	\$ 4,438,200	\$ 1,479,400	\$ 1,479,400	\$ 7,397,000	15
Los Alamos Food Coop (Los Alamos)	Washington Federal Bank	\$ 1,113,750	\$ 123,750	\$ 247,500	\$ 1,485,000	3
MW Holdings, LLC (Bicycle Technologies Int'l, Santa Fe)	Bank of Albuquerque	\$ 5,248,000	\$ 1,145,000	\$ -	\$ 6,393,000	36
Bugman Inc (Santa Fe)	Century Bank	\$ 180,625	\$ 31,875	\$ 37,500	\$ 250,000	8
Mesa Quemado, LLC (Don Juan's Auto Body, Santa Fe)	Bank of Albuquerque	\$ 832,500	\$ 89,500	\$ -	\$ 922,000	
Ambience Hospitality, LLC (Holiday Inn Express, Albuquerque)	Wells Fargo	\$ 3,500,000	\$ 450,000	\$ 1,525,000	\$ 5,475,000	25
Gallup Pipeline & Compliance Services (Gallup)	Pinnacle Bank	\$ 145,452	\$ 25,668	\$ 42,780	\$ 213,900	5
NME Enterprise, Inc. (Marriot Townplace Suites, Gallup -CL)	First American Bank	\$ 5,184,000	\$ 1,296,000	\$ 1,923,684	\$ 8,403,684	18
Wellspring Lot 8 - Fish Factory Swim School (Albuquerque - CL)	Main Bank	\$ 1,496,000	\$ 641,000	\$ 377,000	\$ 2,514,000	15
Total Closed SSBCI Loans		\$ 36,779,723	\$ 8,868,189	\$ 8,926,952	\$ 54,924,864	256

Bank Partners

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Smart Money Loan Participation Bank Partners

Bank 34
Century Bank
International Bank

Valley National Bank
Western Commerce Bank
Citizens Bank of Las Cruces

Collateral Support Participation Bank Partners

Artesia National Bank
Bank of Albuquerque
First American Bank
Los Alamos National Bank
Main Bank

New Mexico Bank and Trust
Pinnacle Bank
Washington Federal
Wells Fargo
Western Bank of Alamogordo