



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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December 3, 2018

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 2017
- ◆ 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

Loan Participation Programs

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- ◆ **Smart Money** is a *State funded* loan participation program that 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
- ◆ **Collateral Support Participation** is a *Federally funded* loan participation that 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

EDRF Capitalized by State & Federal Funds

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- ◆ **Smart Money : \$5.1 million in net State General Fund Appropriations**
 - ◆ 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 in August, NMFA has retracted its commitment to fund a project in Las Cruces because the project timelines exceeded NMFA guidelines and Western Woods' reorganization plan has been confirmed by the Bankruptcy Court. No other changes to the portfolio since the last report
- ◆ **Collateral Support Participations: \$8,168,350 in Federal funds received through the State Small Business Credit Initiative ("SSBCI")**
 - ◆ Since the first loan was made in **May 2012, seven loans** have been paid in full
 - ◆ Loans have been made to expanding businesses as well as start-ups
 - ◆ All loans have paid as agreed

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 federal fund
- ◆ The State was allocated \$13,168,350 in Federal State Small Business Credit Initiative funds for this loan participation program. The State met all of its federal 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
 - ◆ **\$4,654,388 has been transferred at the end of June 18**
 - ◆ **\$32,110.80 will transferred in November 2018 representing July – September payments**

Smart Money Loan Participation Projects

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Description	Participating Bank	Total Loan	Smart Money Portion	Smart Money %	Status as of 10-31-2018
PreCheck, Inc. (Alamogordo)	Bank 34	\$ 4,418,750	\$ 849,592	19%	Paid Off
Western Wood Products, Inc. (Raton)	International Bank of Raton	\$ 4,900,000	\$ 1,274,000	26%	Bankruptcy
Plaza Hotel (Las Cruces) <i>Vegas</i>	Valley National Bank	\$ 5,517,944	\$ 1,650,000	30%	Liquidation
Resources for Children & Youth Inc. (Las Cruces)	Century Bank	\$ 2,800,000	\$ 1,319,570	47%	Current
Landmark at Desert Gardens (Hobbs)	Western Commerce Bank	\$ 3,840,000	\$ 576,000	15%	Paid Off
Funds Available for Lending -- Nov 2018		\$ 21,476,694	\$ 5,669,162	26%	

Collateral Support Participation Projects

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Description	Lead Lender	Bank Financing	NMFA Investment	Private Leverage	Total Investment	Status as of 11-30-2018
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 (StarCryo Construction Loan, 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 Alamogordo	\$ 2,024,802	\$ 357,318	\$ 2,125,000	\$ 4,507,120	Paid in full
Greater Albuquerque Habitat for Humanity (Mortgage)	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 Alamogordo	\$ 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 (Mortgage)	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
Permian I, LLC (Hampton Inn, Artesia)	First National Bank of Alamogordo	\$ 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 (Equipment)	Pinnacle Bank	\$ 145,452	\$ 25,668	\$ 42,780	\$ 213,900	Current
NME Enterprises (Marriott Townplace Suites, Gallup)	First American Bank	\$ 5,184,000	\$ 1,296,000	\$ 1,923,684	\$ 8,403,684	Paid in Full
		\$ 34,183,723	\$ 8,336,120	\$ 8,549,952	\$ 51,069,795	

Future of Programs Operated Out of EDRF

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Future financings are largely dependent on two things:

Limited program funding

The Collateral Support Participation program is being discontinued and all loan repayments are being sent back to the New Mexico Economic Development Department. The Smart Money Loan Participation program is still active, but has limited funds.

Legislative Authorization

Business friendly timing is critical to the success of the programs funded from the Economic Development Revolving Fund. NMFA is seeking an extension to the sunset date that temporarily allows NMFA to make loans without prior legislation authorization.