



Presentation to the
Investments & Pensions
Oversight Committee

NMSBIC New Investments

September 5, 2019

New Mexico Small Business Investment Corporation (NMSBIC)

- The NMSBIC was formed in 2001 by the Small Business Investment Act and is funded by an allocation of the severance tax permanent fund.
- Senate Bill 10 (SB10), in the 2019 Legislative Session, was passed in the Senate and House of Representatives, and signed by the Governor. It was sponsored by Senator Carlos Cisneros, Senator Pete Campos, Senator Michael Padilla, and Representative Jim Trujillo. SB10 increased the NMSBIC's allocation from 1% to 2% of the severance tax permanent fund, as of July 1, 2019.
- As a result of SB10, we will receive approximately \$50 million in additional funding, which we expect to happen in January 2020, after completion of the severance tax permanent fund's annual audit.
- We have received positive press coverage as a result of the passage of SB10. Copies of recent news articles are attached to this presentation.

NMSBIC New Investments

- Today's presentation is about the NMSBIC's new investments.
- The NMSBIC's main focus is its lending program. It has also historically made investments in several venture capital funds. Most of the equity investments were made from 2004 to 2009. The equity investments resulted in significant losses.
- **Since 2011, the NMSBIC has been focused on expanding its lending program. We are exclusively focusing on making new investments under our lending program.**

NMSBIC Board of Directors

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NMSBIC Executive Director/Investment Advisor

Russell Cummins
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Tijeras, New Mexico

NMSBIC Impact

	<u>Life- to-Date</u>	<u>Fiscal Year Ended June 30, 2019</u>
Loans originated	4,860	332
Jobs supported	13,310	986
Total loan amount	\$90,010,227	\$8,164,669
Loans to:		
Minority-owned businesses		70%
Women-owned businesses		38%

NMSBIC Lending Partners

Community Development Financial Institutions (CDFIs). The following NMSBIC lending partners have received the CDFI designation from the U.S. Treasury. They are non-profits, and their mission is to provide small business loans in low-income and underserved communities.

- **New Mexico Community Development Loan Fund (The Loan Fund)**
- **DreamSpring (formerly Accion)**
- **WESST**
- **Ventana Fund (new as of August 23, 2019)**

New Mexico Mortgage Finance Authority (MFA). The NMSBIC provides funding for the MFA's Primero Program. The program supports job growth in communities by providing affordable housing. NMSBIC funding is used for acquisition, development, and construction of low-income, multi-family housing. To-date, NMSBIC funds have been used for projects in Carlsbad, Santo Domingo, Zuni, Roswell, and Las Vegas.

NMSBIC Lending Partners (continued)

Ventana Fund is the NMSBIC's newest lending partner, and was approved by our board of directors for a \$2 million line of credit on August 23, 2019.

- Ventana Fund is a non-profit CDFI established in 2014. They have received \$4.8 million in grant funding, and their goal is to develop mixed-income, multi-family housing, with a primary focus on 10- to 20-unit housing units in smaller communities in New Mexico.
- Mixed-income housing is intended to provide low-income housing, and help communities attract workers with higher paying jobs (e.g. nurses).
- Ventana Fund believes there is demand that might allow them to deploy up to \$10 million of NMSBIC funds in the near future.

NMSBIC Loan Commitments

	6/30/2019 <u>Committed</u>	New <u>Commitments</u>	Total <u>Committed</u>
The Loan Fund	\$14,000,000	\$6,000,000	\$20,000,000
DreamSpring (formerly Accion)	\$7,750,000		\$7,750,000
MFA	\$2,500,000		\$2,500,000
Ventana Fund	\$0	\$2,000,000	\$2,000,000
WESST	<u>\$375,000</u>		<u>\$375,000</u>
Totals	<u>\$24,625,000</u>		<u>\$32,625,000</u>

NMSBIC Available Funds

- With the increase in loan commitments to \$32.6 million, the NMSBIC now has only \$2.3 million in available funds.
- A request for \$2 million in additional funding from DreamSpring (formerly Accion), if approved, will use most of NMSBIC's remaining available funds.
- The additional \$50 million in funding we will receive in January 2020 will allow the NMSBIC to continue to serve the small business community and fulfill its statutory mission of promoting economic development and creating jobs.

NMSBIC Plans to Deploy Additional Funding

- The NMSBIC will continue expanding with current lending partners. Over the next three years, we believe our current lending partners might deploy an additional \$15 to \$20 million of NMSBIC funds.
- The NMSBIC is in discussions with potential new lending partners, to expand the NMSBIC's lending program in a responsible way. We believe these lending partners might deploy \$15 to \$30 of NMSBIC funds.
- We are continuing to explore other lending partners, including loan participations with local community banks, that might deploy \$10 to \$15 million of NMSBIC funds.

NMSBIC Possible New Lending Partners

The NMSBIC is in discussions with the following potential new lending partners.

HomeWise is a non-profit, CDFI with offices in Santa Fe and Albuquerque. It has historically focused on affordable single-family housing. With the opening of its new office in downtown Albuquerque, it has identified demand from small business owners, primarily in the Albuquerque downtown area, who are interested in purchasing the buildings they rent. We are discussing an initial line of credit of \$2 million. There might be demand for HomeWise to deploy up to \$5 million in small business real estate loans.

Lift Fund is a non-profit, CDFI with headquarters in San Antonio, Texas. It was formerly Accion Texas. Several years ago, it exited the Accion franchise, and changed its name to Lift Fund. It has recently opened an office in El Paso and plans to expand its small business lending operations into Southern New Mexico. We are discussing an initial line of credit of \$1 million that would only be used for loans to New Mexico small businesses. There might be demand for Lift Fund to deploy \$2 to \$3 million in small business loans in Southern New Mexico.

RCAC is a non-profit, CDFI with headquarters in Sacramento, California. It operates throughout the Western United States, including in New Mexico. Its main focus is providing pre-development and construction financing for USDA guaranteed water and waste-water projects in rural communities (population less than 50,000). It currently has \$17 million in outstanding loans in New Mexico. It is also interested in making small business loans in New Mexico. We are discussing an initial line of credit of \$2 million that would only be used to support New Mexico small businesses. There might be demand for RCAC to deploy \$5 million to \$10 million of NMSBIC funds.

Advantage Capital is a private lender with over \$3 billion in loans in 40 states. It typically receives state tax credits that are used, along with its own funds, to make small business loans to create jobs and support economic development. It would like to expand into New Mexico; however New Mexico does not have a state tax credit program to support small business lending. Advantage Capital has approached the NMSBIC as a possible source of funding in New Mexico. It believes there might be demand for \$15 to \$20 million in small business loans in New Mexico, including metro areas and rural areas. We are having discussions about a line of credit from the NMSBIC that would initially be less than \$15 to \$20 million, and potentially grow as the program demonstrates its loan quality and demand.

Community Bank Loan Participations. There could be demand for the NMSBIC to purchase loan participations from community banks in New Mexico. This might help community banks make more loans to small businesses. Examples of why community banks might want to do loan participations could be loans that are above a bank's loan limit, or where a bank might be at a limit for concentrations in a particular industry. We believe there might be demand for \$10 to \$15 million in loan participations with community banks.