



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 states
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA makes loans
- ◆ SWEDFA requires that project funded from the EDRF must first receive legislative authorization prior to the NMFA financing the project. *This provision was temporarily suspended by the 2011 Legislature and was extended in 2013 and 2016. The suspension will sunset June 30, 2019*

# EDRF Capitalized by State & Federal Funds

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- ◆ EDRF is segregated into two sub-accounts that account separately for State and Federal funds and from which NMFA operates two programs:
- ◆ **Smart Money Loan Participations:** \$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 its 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 an early stage equity program

# Loan Participation Programs

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- ◆ **To date, the EDRF has been used to operate two similar loan participation programs:**
- ◆ **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

# Why 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

# Smart Money Loan Participation Program

- ◆ First loan made in 2006
- ◆ To date, Smart Money has participated in five loans for projects located in Alamogordo, Raton, Las Vegas, Las Cruces and Hobbs

Project	Participating Bank	Funding Date	Total Loan	Smart Money Portion	Smart Money %	Fiscal Year Funded
PreCheck Inc (Alamogordo)	Bank 34	July-06	\$ 4,418,750	\$ 849,592	19.2%	2007
Western Wood Products (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	47.0%	2013
Landmark at Desert Gardens (Hobbs)	Western Commerce Bank	July-13	\$ 3,840,000	\$ 576,000	15.0%	2014
<b>Totals - Smart Money Projects</b>			<b>\$ 21,476,694</b>	<b>\$ 5,669,162</b>	<b>26.4%</b>	

- ◆ NMFA has approved an additional 12 loans totaling approximately \$13.43 million in projects that for various reasons did not move forward. The projects would have leveraged an additional \$32.43 million in bank financing

# Smart Money Loan Portfolio

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- ◆ PreCheck loan paid in full (11-2012) prior to its stated maturity
- ◆ Resources of Children and Youth Inc. has leased the facility to New America Charter School and is performing as agreed. Current principal balance: \$1,179,538
- ◆ Landmark at Desert Gardens has completed its renovations and is performing as agreed. Current principal balance: \$520,039

# Smart Money Loan Troubled Loan Update

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- ◆ Valley National Bank foreclosed on the loan in 2013 and in June 2014 the hotel was sold to the new owner of the historic Castaneda Hotel in Las Vegas. Both hotels are receiving significant renovations. In January 2015, Valley National Bank was merged into another bank and the personal guarantees on the Plaza Hotel loan continue to be pursued by a successor corporation. Current principal balance (after liquidation): \$859,522, which has been fully reserved on NMFA's books.
- ◆ In January 2012, Western Wood Products filed for Chapter 11 Bankruptcy Protection following years of financial difficulty. In June 2014, the Bankruptcy Court approved a final Reorganization Plan and payments resumed. Loan payments began to slow and the loan is currently one payment past due. On June 30, 2016, Western Wood Products again filed for Chapter 11 Bankruptcy Protection. Current principal balance: \$1,226,955.



# 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. 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 have 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	Jobs Create
NEAR, LLC (Rio Grande Medical, Las Cruces - Paid Off)	Wells Fargo	\$ 3,710,570	\$ 1,000,000	\$ 417,164	\$ 5,127,734	18
MW Holdings, LLC (BTI, Santa Fe -CL Paid Off)	Wells Fargo	\$ 5,027,000	\$ 1,256,000	\$ 517,924	\$ 7,150,924	
Cantor Properties (Star Cryoelectronics, Santa Fe - CL Paid Off)	Los Alamos National Bank	\$ 180,000	\$ 120,000	\$ -	\$ 300,000	
Star Cryoelectronics (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	1
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. (Marriott Townplace Suites, Gallup - CL )	First American Bank	\$ 5,184,000	\$ 1,296,000	\$ 1,923,684	\$ 8,403,684	18
Tucumcari Mountain Cheese Factory (Tucumcari - LOC)	FNB New Mexico	\$ 600,000	\$ 200,000	\$ -	\$ 800,000	15
<b>Total Active SSBCI Loans</b>		<b>\$35,883,723</b>	<b>\$8,427,189</b>	<b>\$8,549,952</b>	<b>\$53,210,864</b>	<b>221</b>
<b>Average Closed SSBCI Loan</b>		<b>\$ 1,993,540</b>	<b>\$ 468,177</b>	<b>\$ 474,997</b>	<b>\$ 2,956,159</b>	<b>15</b>

# Bank Partners

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## **Smart Money Loan Participation Bank Partners**

Bank 34  
Century Bank  
International Bank

Valley National Bank  
Western Commerce Bank

## **Collateral Support Participation Bank Partners**

Artesia National Bank  
Bank of Albuquerque  
First American Bank  
FNB New Mexico  
Los Alamos National Bank

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

# New Mexico Catalyst Fund, LP

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- ◆ In SFY 2016, the US Treasury approved the redirection of the Federal SSBCI funds towards an equity program called New Mexico Catalyst Fund
- ◆ The State Investment Council approved a co-investment of up to \$10 million which is being managed and deployed as a “fund of funds” to investment managers who have market presence and experience in early stage companies
- ◆ In addition to experience with start-up phase companies, investment managers (early stage venture firms, accelerators, technology transfer entities) will be required to match the investment with private capital on a 1:1 basis
- ◆ The fund of funds is being managed by Sun Mountain Capital