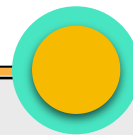


NEW MEXICO
FINANCE AUTHORITY



Presentation to the NMFA Oversight Committee

**Program Implementation Update:
Opportunity Enterprise Act and
the Venture Capital Program Act**

Marquita Russel, CEO

Ryan Marie Decker, Managing Director, Credit

August 29, 2022

- ◆ **The Opportunity Enterprise Act** -- 2002 HB 7/a, Sponsored by Meredith A. Dixon, Brian Egolf, Linda Serrato, Javier Martinez
- ◆ Establishes the Opportunity Enterprise Review Board to:
 - Collectively collaborate with local municipalities and local communities to facilitate opportunity enterprise projects
 - Establish economic development goals for the state in coordination with NMEDD
 - Recommend potential enterprise projects for financing
- ◆ Creates the Opportunity Enterprise Revolving Fund in NMFA. The Fund received a \$70 million appropriation during the 2022 legislative session.

Economic Development Opportunity

- ◆ Advancement of an environmentally sustainable economic development goal of the state as determined by the NMFA, in coordination with the department, includes
 - creation of jobs
 - provision of needed services and commodities to diverse communities across the state, and
 - the increase of tax and other revenue collections resulting from the enterprise development project

Enterprise Development Project

- ◆ The purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping or maintaining
 - Land
 - building or
 - infrastructure
- ◆ To create or expand economic development opportunity within the state



Opportunity Enterprise Partner

- ◆ A private business entity that the NMFA determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the state
- ◆ Eligible private business entities:
 - ❑ A domestic corporation
 - ❑ a general partnership
 - ❑ a limited liability company
 - ❑ a limited partnership, a public benefit corporation
 - ❑ a nonprofit entity, or
 - ❑ other private business entity or combination thereof

Enterprise Assistance

Opportunity Enterprise Financing

- ❑ Financing provided to an OE Partner to construct an OE development project that will be owned by NMFA
- ❑ NMFA may enter into opportunity enterprise leases at fair market value. The OE development project must be used solely to create and expand economic development opportunities

Opportunity Enterprise Loan

- ❑ Loan to OE Partner of between 15 – 30 years on terms established by NMFA
- ❑ Guarantee of loan made to OE Partner by a federally insured financial institution on terms approved by the OE Review Board

New Mexico Finance Authority

- ❑ Provides administrative support to the OE Review Board
- ❑ Administers the Opportunity Enterprise Revolving Fund
- ❑ makes loans or provides guarantees for opportunity development projects or acquires enterprise development projects and enters into opportunity enterprise leases

New Mexico Economic Development Department

- ❑ Surveys potential partners and projects
- ❑ Provides outreach to local governments and potential partners to solicit
- ❑ Evaluates potential projects and make recommendations regarding suitability of enterprise assistance
- ❑ Facilitates the payment in lieu of taxes in those instances in which the enterprise development project is being undertaken by NMFA

Twelve Members

◆ Five Ex-Officio Members

- Alicia Keyes, Secretary of Economic Development
- Deborah Romero, Secretary of the Department of Finance and Administration
- John A. Garcia, Secretary of General Services Department
- Tim Eichenberg, NM State Treasurer
- Brian Colón, NM State Auditor

◆ One Member appointed by Council of Government Organization

- Priscilla Lucero, Executive Director of the Southwest New Mexico Council of Government

- ◆ Six public members appointed by the NM legislative council to six-year terms, with initial terms staggered.

□ Brian Condit	6/30/2024
□ Victor Mendoza	6/30/2024
□ Joe Farr	6/30/2026
□ Jennifer Garcia Kozlowski	6/30/2026
□ Liana Sanchez	6/30/2028
□ Vacant	6/30/2028

Public members must have experience in:

- Banking or finance industry
- Commercial or industrial credit
- Private equity, venture capital or mutual fund investments
- Commercial real estate development
- Engineering, constructions or construction management
- Organized labor
- Urban planning
- Environmentally sustainable construction and development

- ◆ Meet at least quarterly
- ◆ Adopt rules that carry-out provisions of the act
 - Recommend procedures for applying and qualifying for enterprise assistance
 - Determine how to select and prioritize applications for enterprise assistance
 - Make recommendations to NMFA of potential enterprise development projects
 - Determine whether use of enterprise assistance is a prudent expenditure of public funds
- ◆ Provide safeguards to protect public money and other public resources
- ◆ Receive executed contracts for enterprise assistance
- ◆ Report to the Legislature by each October 1st

Other Conditions

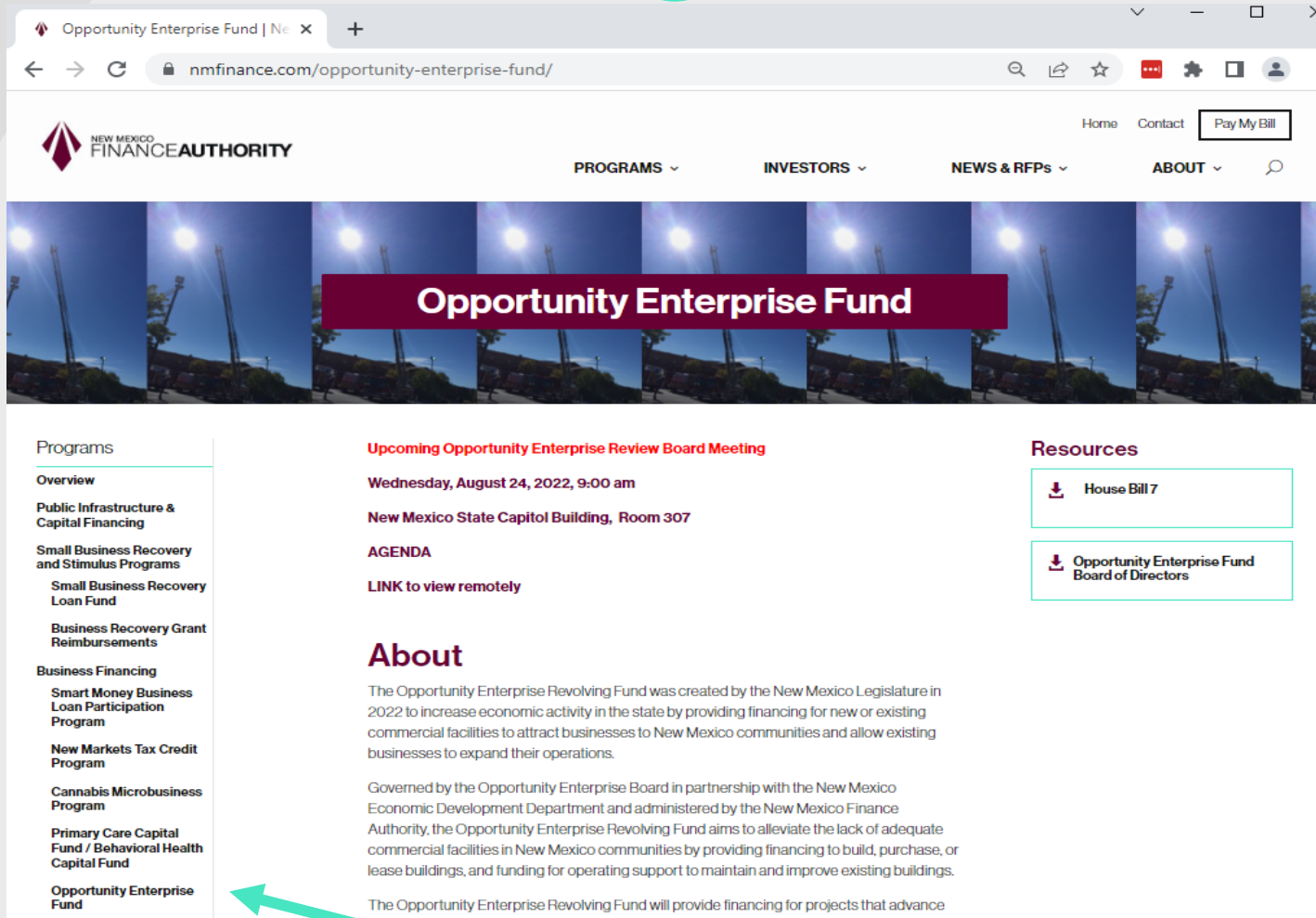
- ◆ Separate from the Opportunity Review Board, NMFA may adopt rules to carry out the provisions of the Act, subject to approval by the NMFA Oversight Committee
- ◆ Prior to providing enterprise assistance, NMFA must determine
 - the proposed enterprise development project or lease will create or expand economic development opportunities within the state;
 - other means of financing a proposed enterprise development project are unavailable or insufficient.
- ◆ NMFA may prioritize projects located in a nonurban community (a municipality with a population of less than 40,000)

◆ Inaugural Meeting on August 24th:

- Approved Bylaws that will govern the activities of the OE Board
- Appointed a Nominating Committee for Officer Positions
- Created the Standing Committees: Policy and Project Review
- Heard from local and statewide economic development professionals on needs

◆ Future Meetings

- Establish rules that identify application processes define Opportunity Enterprise Development project
- Propose evaluation and prioritization criteria
- Review proposed application guidelines and evaluation criteria
- Formally authorize the initiation of the rulemaking process



The screenshot shows a web browser displaying the Opportunity Enterprise Fund page on nmfinance.com. The page features a navigation menu with links for Home, Contact, Pay My Bill, PROGRAMS, INVESTORS, NEWS & RFPs, and ABOUT. A large banner image shows construction cranes with the text "Opportunity Enterprise Fund" overlaid. Below the banner, there are three main sections: Programs, Upcoming Opportunity Enterprise Review Board Meeting, and Resources. The Programs section includes a list of various funding programs, with "Opportunity Enterprise Fund" highlighted by a red arrow. The meeting section provides details for a Wednesday, August 24, 2022, meeting at the New Mexico State Capitol Building, Room 307, and includes an agenda and a link to view remotely. The Resources section contains links to House Bill 7 and the Opportunity Enterprise Fund Board of Directors.



Venture Capital Program Act

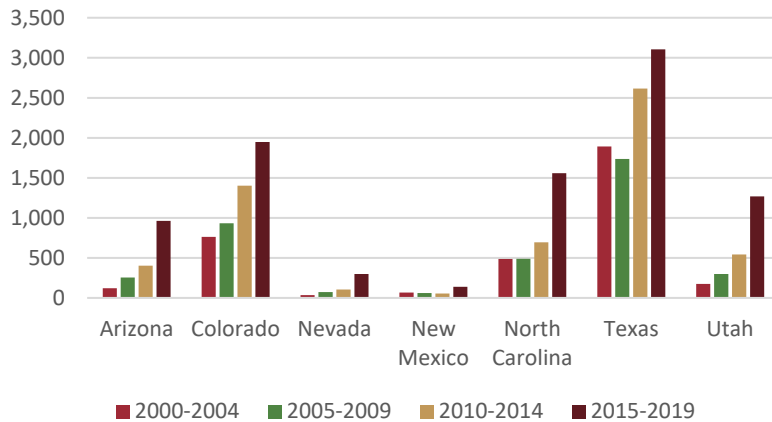
- ◆ HB 104 (Representatives Dixon, Serrato, Martinez and Maestas and Senator Hickey) created the Venture Capital Program Act
- ◆ Creates in the NMFA the Venture Capital Program Fund and authorizes the NMFA Board to make investments in:
 - **Venture private equity funds** – invest in New Mexico businesses in return for equity or debt for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development; or
 - **New Mexico businesses** – principal office/place of business and majority of full-time employees or 80% of assets located in New Mexico

Economic Development Objectives:

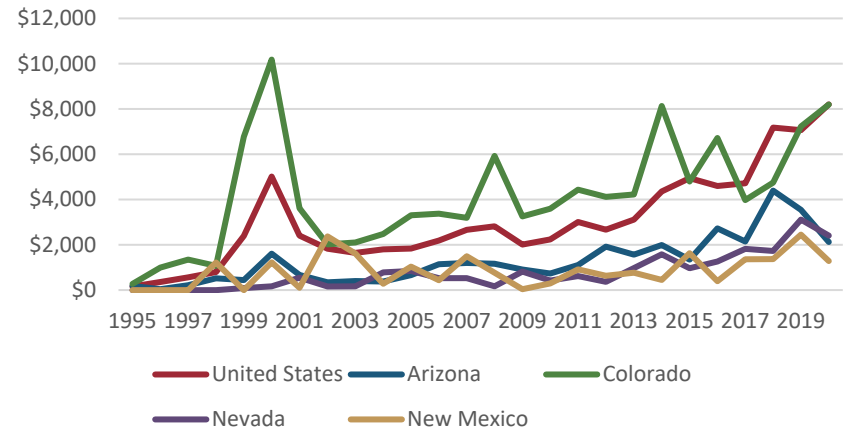
- ◆ NMFA shall make investments in venture private equity funds or early-stage investments in New Mexico businesses whose investments or enterprises enhance economic development objectives of the state
 - ◆ NMFA is authorized to make investments in New Mexico businesses to create new job opportunities and to support new, emerging or expanding businesses
- ❑ Investments in venture capital private equity funds require match
 - ❑ Co-investor requirement for investments in New Mexico businesses
 - ❑ Investment in one business or industry not to exceed 10%
 - ❑ No more than 51% ownership
 - ❑ Operating budget to be approved by NMFA Board
 - ❑ Annual reporting on investment activity and economic development impact

- ◆ Lack of available venture capital in New Mexico that allows the state to retain and attract early-stage businesses
- ◆ Significant gap in venture capital available to local businesses when compared nationally or to peer states

5-year Average Venture Capital Disbursed



Venture Capital Disbursed per \$1 million GDP





- **New Mexico Private Equity Investment Program (NMPEIP)** created in statute in 1993 to invest up to 9% of the Severance Tax Permanent Fund in New Mexico companies. NMPEIP investments are allowed to achieve differential rate, or “below-market” returns, as they should compensate for lower returns through job and industry creation for the state. *The Council’s current direction, however, is to prioritize financial returns over economic development aspects of investments.*
- In 2016 the SIC initiated the **NM Catalyst Fund** to commit \$20 million in easy-stage/seed investments through local Venture Capital Funds.⁽¹⁾

(1) New Mexico State Investment Council website: <https://www.sic.state.nm.us/wp-content/uploads/2021/04/May-2017-New-Mexico-portfolio-exposure-overview.pdf>



- New Mexico is receiving approximately **\$76 million** through the **federal State Small Business Credit Initiative (SSBCI)** over the next ten years. **EDD will invest the SSBCI funds in multiple venture capital funds.**
- *According to the HB 104 FIR, the Venture Capital Program Act could fill gaps within the current landscape and look to assist underserved New Mexico business owners. It could help to address significant shortcomings in the state’s ability to assist startup companies to form and grow, resulting in an improved entrepreneurial ecosystem, more jobs, more investment, and more opportunities for New Mexicans to create new careers.*



- **HB104 provides a secondary source of state-supported seed capital for emerging New Mexico businesses.**
- While structured very similar to the SIC-administered NMPEIP, *the Venture Capital Program Fund’s intent appears to be more focused on impact rather than income generation. Placing this secondary program at NMFA allows for businesses not currently served by the NMPEIP to access early seed equity capital.*

- ◆ NMFA will operate the Venture Capital Program Fund with the assistance of a professional Investment Advisor
 - RFP/Selection of Investment Advisor Q1/2 FY2023
 - Program Governance defined Q2 FY2023
 - Applications open Q3/4 FY2023

- ◆ Potential hurdles in implementation
 - NMSA 6-33-4 B(2): an investment in any one business or industry does not exceed ten percent of the balance of the venture capital program fund
 - No IPRA protections for applicants