



Overview of New Markets Tax Credits



**PRESENTATION TO THE
NEW MEXICO FINANCE AUTHORITY
LEGISLATIVE OVERSIGHT COMMITTEE**

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CLOVIS, NEW MEXICO**

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What Are NMTCs?

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- ◆ Allocation of Tax Credits \neq Cash
- ◆ An allocation of credit to a project provides a federal investment tax credit equal to 39 cents on the dollar. Investors purchase at a discount the future flow of tax credits to be earned over 7 years: 5% in each of the first 3 years and 6% in the remaining years
- ◆ Credits cannot be funded into projects that are considered “sin” businesses or projects that have greater than 80% of the annual income streaming from residential rental
- ◆ In general allocation is typically placed in areas considered to be “highly distressed” Under the federal definition, this includes rural communities with at least 20% of the population living in poverty or urban communities with at least 30% of the population living in poverty

Why NMTCs?

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- ◆ Our goal is partner with Banks to help fill financing gaps
- ◆ NMTCs augment NMFA's loan participation programs with flexible capital provided by the private sector
- ◆ Create additional economic development for the state:
 - ◆ Construction, Direct and Indirect Job creation
 - ◆ Increased tax base
 - ◆ New capital investment to rural and underserved communities
- ◆ Bring new goods or services to rural and underserved communities
- ◆ Fund vital community service projects

What is Finance New Mexico, LLC?

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- ◆ Finance New Mexico is a limited liability company created explicitly for NMFA's participation in the New Markets Tax Credit program. Finance New Mexico is a Certified Community Development Entity (CDE)
- ◆ NMFA has a 99% interest in Finance New Mexico and New Mexico Community Capital has a 1% interest. NMFA is the member manager of the LLC
- ◆ Finance New Mexico and its subsidiaries are overseen by a nine-member Advisory Board appointed by the NMFA Board whose role is to ensure that the NMTCs are used in a manner consistent with the federal legislation

Finance New Mexico Advisory Board

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- ◆ Leroy Pacheco, Chair – Executive Director of The Loan Fund
- ◆ Jay Czar, Secretary – Executive Director of the NMMFA
- ◆ Barbara Brazil, Member – Deputy Cabinet Secretary, NMEDD
- ◆ Brian Moore, Member – Small business owner, Clayton
- ◆ Thomas Overstreet, Member – Attorney, Alamogordo
- ◆ Mary Kay Papen, Member – State Senator
- ◆ Dan Silva, Member – Small business owner, Albuquerque
- ◆ Andres Silva, Member – Mayor, City of Deming
- ◆ Jerry Walker – NM Independent Community Bankers, Farmington

Projects Funded To Date

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FNM						
Sub-CDE	Funding date	Project	Leverage Lender	Investor	Location	NMTC Allocation
Total Finance New Mexico NMTC Allocation						\$ 156,000,000
I	12/31/2008	SCHOTT Solar, Inc.	Schott North American	US Bancorp	Albuquerque	\$ 15,500,000
II	10/5/2009	Savoy Travel Center	Virtual Realty Enterprises	US Bancorp	Deming	\$ 16,500,000
III	11/12/2009	Hotel Parq Central	Los Alamos National Bank	US Bancorp	Albuquerque	\$ 6,784,540
IV	11/12/2009	Hotel Parq Central	Los Alamos National Bank	Los Alamos NB	Albuquerque	\$ 7,061,460
V	7/16/2010	Pros Ranch Market	Bank of Albuquerque	US Bancorp	Las Cruces	\$ 12,500,000
VI	9/24/2010	Vitality Works (Closed 9-19-2011)	US Bank	US Bancorp	Albuquerque	\$ 8,000,000
VII	10/7/2011	Molina Healthcare Data Center	Molina Healthcare, Inc.	Wells Fargo	Albuquerque	\$ 10,000,000
VIII	6/29/2012	Laguna Grocery New Markets	Laguna Development Corporation	US Bancorp	Laguna	\$ 10,000,000
IX	6/29/2012	4Points, LLC	Laguna Pueblo	US Bancorp	Laguna	\$ 23,000,000
X	8/31/2012	Friedman Recycling of Albuquerque	Friedman Recycling Company	US Bancorp	Albuquerque	\$ 15,000,000
XI	9/6/2012	TMS Gallup I, LLC (Closed 9-10-2013)	US Bank	US Bancorp	Unknown	\$ 8,000,000
XII	9/17/2013	4Points Laguna, LLC	Laguna Pueblo	US Bancorp	Laguna	\$ 8,000,000
XIII		Presbyterian Medical Services Subsidiary	Wells Fargo/PMS	Wells Fargo	Farmington/S	\$ 11,000,000
Total Committed and Closed Deals to Date						\$ 151,346,000
TOTAL AVAILABLE ALLOCATION						\$ 4,654,000

Where: City of Albuquerque

Project: Vitality Works, Inc.

Type of Project:
Manufacturing

Project Description: New Markets Tax Credit (NMTC) funding from Finance New Mexico to fund the acquisition, renovation, and equipping 21,000 sq. ft. facility in west Albuquerque.

Sources:

US Bank, NA	\$ 2,000,000
NMTC Loans	3,935,736
NMTC Equity	2,092,800

Vitality Works – Albuquerque



Community Benefit: Vitality works was looking to move its manufacturing out of state. This would have impacted local producers, local machinist and 100 employees would have lost their jobs in the Albuquerque market.

Bank and Borrower Benefit: US Bank earned a new client that will be utilizing US Bank products such as Lines of Credits. The Borrower was able to expand their business and hire 41 additional employees.

Where: Albuquerque, NM

Business: Parq Central Hotel

Type of Business: Hotel

Project Description: New Markets Tax Credit (NMTC) funding from Finance New Mexico to fund the acquisition, renovation, equipping and start-up costs associated with the conversion of a historic hospital into a 74-room boutique hotel in central Albuquerque. Project also received Historic Tax Credits and Industrial Revenue Bonds.

Sources:

LANB	\$ 3,300,814
NMTC/HTC Loans	\$ 11,264,852
NMTC/HTC Equity	\$ 2,165,768

Hotel Parq Central - Albuquerque



Community Benefit: Hotel Parq Central was downtown redevelopment that had restored a hospital that was dilapidated and beginning to have a negative impact in the community.

Bank and Borrower Benefit: LANB was able to extend new credit to one of the biggest lenders and received tax credits for this transaction. The Borrower was able to fill a funding gap with NMTCs and HTC.

Where: Pueblo of Laguna

Project: Grocery Store

Source of Leverage: Laguna Pueblo Development Corporation

Project Description: This new grocery store replaces an antiquated store that was unable to provide a full range of healthy foods to Pueblo members and nearby communities. The project cost \$5,000,000 to demolish the old store, construct and equip the new store. The new store has amenities such as, larger refrigeration and freezer storage areas, a deli and essential items that are found in most modern grocery stores.

Laguna Development Corporation Grocery Store



Community Benefit: The desperately needed improvements have provided Lagunas residents with a variety of healthier foods from which to choose, including a greater selection of fresh produce, frozen foods, and fresh deli items. This project created 150 construction jobs and replaced a store that was 30 years old and outdated.

Laguna Water & Wastewater Project

Where: Pueblo of Laguna

Project: Water & Wastewater

Source of Leverage: USDA funding was leveraged by the Pueblo of Laguna

Project Description: 4Points Laguna project will repair, replacement and construction of new water and wastewater lines, wastewater lagoons and collection systems within all six villages; rebuild and expand the three current water sources on the Pueblo to allow for 60% additional capacity; and provide additional pressure into the lines in order to provide fire flow and an appropriate fire protection system throughout the Pueblo.

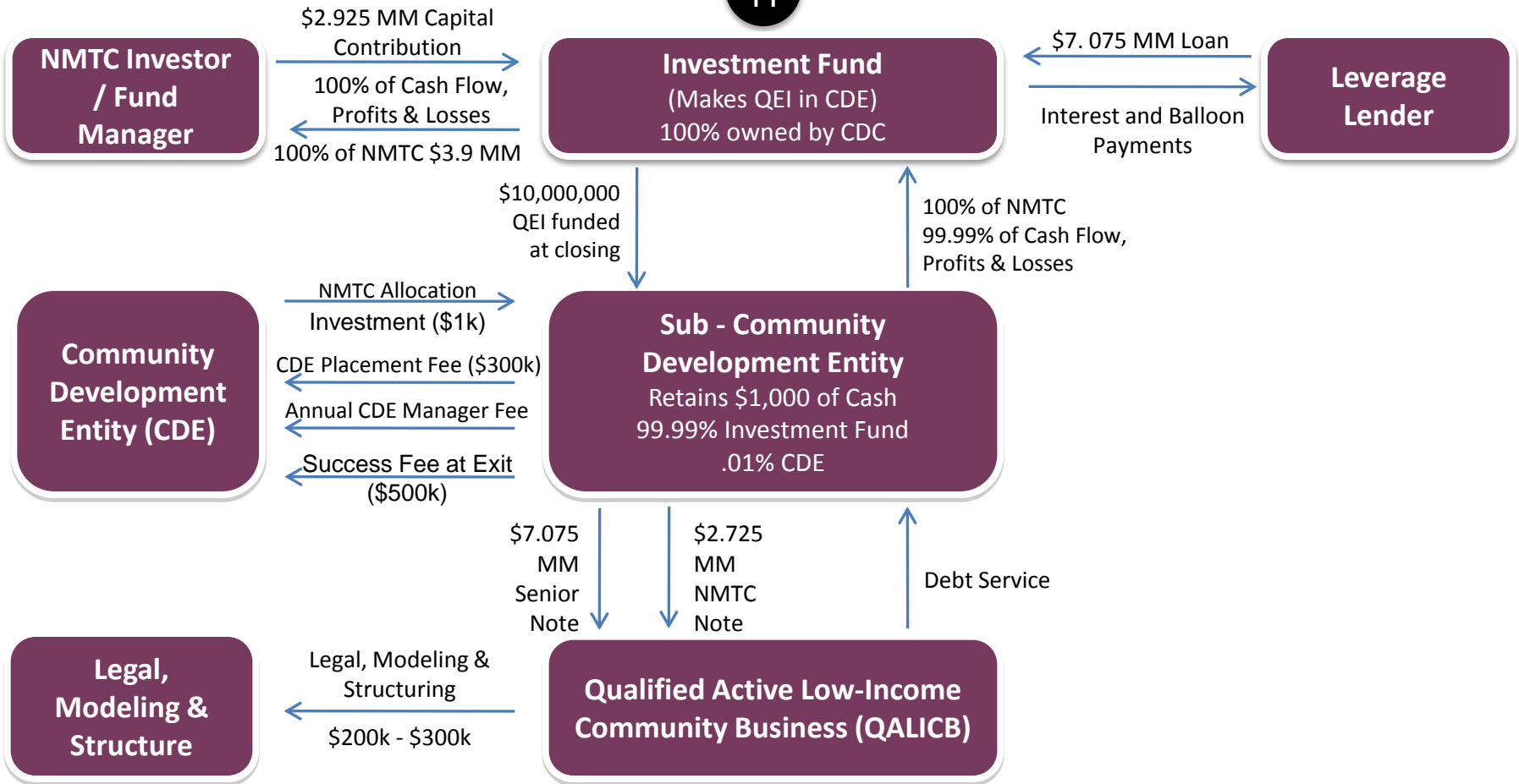


Backfill utilizing bedding material around the HDPE pipe. 12" HDPE WL down the Slope of the Mesa Cliff Worksite WS-21A.

Community Benefit: The improvements to the water and wastewater system are necessary and vital to maintain a good quality of life for the members of the Pueblo. The system had line breaks which has been a major issue for the past several years which in some cases the Pueblo was without water for 12 days. This project resolves these issues.

Sample NMTC Leveraged Transaction Diagram

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Note: Assumes credits purchased at \$0.75 per \$1.00 of NMTC received

\$10 million example



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