



NEW MEXICO  
**FINANCE AUTHORITY**

# Update on Economic Development Revolving Fund

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**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 create financing tools for businesses that put New Mexico on par with neighboring states. The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA.
- ◆ 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 legislation enacted in 2011 and 2013. The suspension sunsets June 30, 2016. During this period, NMFA must report twice each interim to the NMFA Oversight Committee on the status of the EDRF. NMFA made its first report in July 2014. This is the second required report.*

# Why Loan Participations?

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- ◆ EDRF funds two loan participation programs
- ◆ 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 the financing gap and lower costs for New Mexico businesses
- ◆ The bank originates and services the loan as it otherwise would. The NMFA pays a small servicing fee to the bank for the additional work

# Loan Participation Programs

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- ◆ 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 collateral available to a bank. Capitalized by \$5.1 million in net general fund appropriations. Five loans made to date.
- ◆ The Collateral Support Participation Program provides short term financing, such as construction or working capital lines of credit. In Collateral Support, NMFA frequently purchases “subordinated” collateral interest which allows the bank to advance more capital to a business. Capitalized by \$13.2 million in federal funds from the State Small Business Credit Initiative. Funds are disbursed based upon program activity. NMFA has received 100% of the funds.

# Smart Money Loan Participation Projects

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%	2009
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	\$ 1,372,000	49.0%	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>\$ 5,721,592</b>	<b>27%</b>	

- ◆ PreCheck loan paid in full 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: \$1,246,265
- ◆ Landmark at Desert Gardens has completed its renovations and is performing as agreed. Current principal balance: \$552,480

# Smart Money Troubled Assets

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- Western Wood Products, Inc. filed for bankruptcy protection in January 2012. The company is operating under a reorganization plan and is current in its payments under the plan. The loan is expected to be put back on accrual in late November. Current principal balance: \$1,209,896
- Plaza Hotel was unable to meet its payment obligations and Valley National Bank, the lead lender, subsequently foreclosed the loan and liquidated the assets. The hotel was purchased by an experienced historic hotel operator who also purchased the historic Castaneda Hotel in Las Vegas. Both properties will be renovated and operated. Current principal balance (after liquidation): \$859,529.76

# 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. The program is overseen by the US Dept. of Treasury
- ◆ The funds are intended to help mitigate bank risk and increase the flow of capital to small businesses
- ◆ New Mexico uses the funds to help provide funding where Smart Money has been unable to help
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016
- ◆ NMFA recently received the third tranche of funds and is on track to expend the monies as required by June 2015

# Collateral Support Loans Approved To Date

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Project Name	Originating Bank	Closing Date	Purpose	Bank Portion of Financing	SSBCI Portion	Current Amount	Part %	Status
Rio Grande Medical Clinic (Las Cruces)	Wells Fargo (Las Cruces)	5/30/2012	Construction & Permanent Loan	\$ 3,710,570	\$ 1,000,000	\$ 960,930	21%	Current
Bicycle Technologies International (Santa Fe)	Wells Fargo (Santa Fe)	6/26/2012	Construction Line of Credit	\$ 5,027,000	\$ 1,256,000	\$ -	20%	Paid Off
Star Cryoelectronics (Santa Fe)	Los Alamos National Bank (Santa Fe)	10/24/2012	Construction Line of Credit	\$ 180,000	\$ 120,000	\$ -	40%	Paid Off
Star Cryoelectronics (Santa Fe)	Los Alamos National Bank (Santa Fe)	10/24/2012	Working Capital Line of Credit	\$ 120,000	\$ 80,000	\$ -	40%	Paid Off
Haciendas at Grace Village (Las Cruces)	Western Bank of Alamogordo	5/14/2013	Permanent Loan for start-up memory care	\$ 2,024,802	\$ 357,318	\$ 332,056	15%	Current
Habitat for Humanity (Albuquerque)	Wells Fargo	6/30/2013	Purchase & Renovation of new	\$ 1,425,000	\$ 241,000	\$ 232,586	14%	Current
Haciendas at Grace Village (Las Cruces)	Western Bank of Alamogordo	7/25/2013	Working Capital Line of Credit	\$ 300,000	\$ 200,000	\$ 199,271	40%	Current
Children's Garden Child Development Center (Las Cruces)	Wells Fargo	10/31/2013	Refinancing	\$ 1,879,515	\$ 331,678	\$ 613,336	15%	Current
Los Alamos Food Cooperative (Los Alamos)	Washington Federal Savings	12/4/2013	Acquisition Loan	\$ 1,113,750	\$ 119,000	\$ 116,083	10%	Current
Bicycle Technologies International (Santa Fe)	Bank of Albuquerque	3/24/2014	Permanent Loan	\$ 4,580,000	\$ 1,145,000	\$ 1,123,418	20%	Current
Hampton Inn (Artesia)	Artesia National Bank (Artesia)	8/15/2014	Construction & Permanent Loan	\$ 4,580,000	\$ 1,145,000	\$ 1,145,000	20%	Current
Bugman (Santa Fe)	Century Bank	10/9/2014	Building Acquisiton	\$ 180,625	\$ 31,875	\$ 31,875	15%	Current
Santa Fe Brewing (Santa Fe)	New Mexico Bank and Trust (Santa Fe)	November 2014	Construction Loan	\$ 4,282,045	\$ 1,070,511	n/a	20%	Pending
<b>Totals</b>				<b>\$ 29,403,307</b>	<b>\$ 7,097,382</b>	<b>\$ 4,754,555</b>	<b>19%</b>	