



# Economic Development Revolving Fund Update



**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
- ◆ 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 extended by the 2013 Legislature. The suspension sunsets June 30, 2016.*

# 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 collateral available to a bank
- ◆ 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

# 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 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

# EDRF Capitalized by State & Federal Funds

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- ◆ The EDRF is segregated into two sub-accounts to account separately for State and Federal Appropriations:
- ◆ \$5.1 million in net State Appropriations
  - ◆ \$10 million General Fund 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
- ◆ \$13,168,350 in Federal funds received through the State Small Business Credit Initiative
  - ◆ The State receives the funds in three payments:
    - ◆ \$4,245,556 was received in January 2012 after signing the Allocation Agreement
    - ◆ \$4,345,555 was recently requisitioned upon obligating 80% of the first payment
    - ◆ \$4,477,239 will be received once the State commits 80% of the second payment

# Smart Money Loan Participation Program

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- ◆ First loan made in 2006; loan to PreCheck already paid in full
- ◆ 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%	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>	

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

# 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's current leverage is 6.5 to 1.0

# Collateral Support Loans Approved To Date

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Board Approval Date	Collateral Support Applicant	Location	Financing Description	Bank Partner	Total Loan	Bank Portion	CSP Funds	%	Status
Dec-11	Haciendas at Grace Village	Las Cruces	Facility Construction	Western Bank of Alamogordo	\$ 2,025,125	\$ 1,667,807	\$ 357,318	18%	Closed FY 13
Mar-12	Nano Cool	Albuquerque	Working Capital Line of Credit	First National Bank of Santa Fe	\$ 1,100,000	\$ 660,000	\$ 440,000	40%	Did not close; changed financing plans
Mar-12	NEAR, LLC (Rio Grande Medical)	Las Cruces	Construction Line of Credit/Mortgage	Wells Fargo (Las Cruces)	\$ 3,800,000	\$ 2,800,000	\$ 1,000,000	26%	Closed FY 12
Mar-12	HT Micro Analytics	Albuquerque	Working Capital Line of Credit	Los Alamos National Bank	\$ 500,000	\$ 300,000	\$ 200,000	40%	Did not close; changed financing plans
May-12	MW Holdings (Bicycle Technologies International)	Santa Fe	Construction Line of Credit	Wells Fargo (Santa Fe)	\$ 6,283,000	\$ 5,027,000	\$ 1,256,000	20%	Closed FY 12
Jun-12	Star CryoElectronics	Santa Fe	Working Capital Line of Credit	Los Alamos National Bank	\$ 600,000	\$ 360,000	\$ 240,000	40%	Closed FY 2013
Aug-12	MSC Investments	Bloomfield	Working Capital Line of Credit, Debt Restructuring	Wells Fargo (Farmington)	\$ 1,781,250	\$ 1,514,062	\$ 267,188	15%	Did not close; changed financing plans
Dec-12	Haciendas at Grace Village	Las Cruces	Working Capital Line of Credit	Western Bank of Alamogordo	\$ 500,000	\$ 300,000	\$ 200,000	40%	Closed FY 14
Mar-13	TMS Gallup I, LLC (Hilton Garden Inn & Suites)	Gallup	Construction Line of Credit, Mortgage	US Bank (Albuquerque)	\$ 9,250,000	\$ 6,744,248	\$ 2,505,752	27%	Did not close; changed financing plans
May-13	Habitat for Humanity	Albuquerque	Facility Acquisition	Wells Fargo (Albuquerque)	\$ 1,666,000	\$ 1,425,000	\$ 241,000	14%	Closed in FY 2013
May-13	ELRC, LLC (Children's Garden Child Development Centers)	Las Cruces	Debt Restructuring	Wells Fargo (Las Cruces)	\$ 2,211,193	\$ 1,879,515	\$ 331,678	15%	Closed two of three approved projects FY 14
Jul-13	Permian, LLC (Hampton Inn)	Artesia	Construction Line of Credit	Artesia National Bank	\$ 4,438,000	\$ 2,947,300	\$ 1,490,700	34%	Pending
Jul-13	Twin Cities	Santa Teresa	Facility Acquisition	Wells Fargo (Las Cruces)	\$ 3,198,721	\$ 1,919,233	\$ 1,279,488	40%	Did not close; changed financing plans
Nov-13	Los Alamos Cooperative Market	Los Alamos	Facility Acquisition	Washington Federal Bank (Santa Fe)	\$ 1,190,000	\$ 1,071,000	\$ 119,000	10%	Pending
<b>TOTAL COLLATERAL SUPPORT PARTICIPATION APPLICATIONS APPROVED BY NMFA BOARD</b>					<b>\$ 38,543,289</b>	<b>\$ 28,615,165</b>	<b>\$ 9,928,124</b>	<b>26%</b>	