



Bonding and Beyond: Community Development Finance Strategies to “Make It Happen”

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Financing Our Future, Believing in New Mexico

- ◆ NMFA was created to work with state, local and Native American governments to achieve infrastructure dreams, with lowest-cost financing
- ◆ An alternative to “pay-as-you-go”, NMFA is primarily involved in bond/loan financing structures

20/20 Vision:

- ◆ Manage the market risk, always a guiding principle
- ◆ Credit is tightening, confidence in the system is lacking; could be opportunity for local bankers
- ◆ Money flowing out of mutual funds, into local bank deposits
- ◆ Continue enhancing local knowledge and financial capacity within NMFA and with our partners

Governor Richardson Direction:

- Encourage private sector involvement in capital improvement or development projects
- Define opportunities to leverage private investment with tie into public financing
- Structure relationship to provide “best business decision” for New Mexico benefit
- Secure lowest cost financing, be SMART on deals

Capital Available to Small and Mid-sized New Mexico Companies

Capital Source	Private	<ul style="list-style-type: none"> NM Private Equity funds and angel investors 	<ul style="list-style-type: none"> Commercial Bank Loans 	<ul style="list-style-type: none"> Uncollateralized Bank Loans (with owner guarantees) 	<ul style="list-style-type: none"> Business improvement / Main street financing Tax Increment Finance NMFA PPRF with LEDA provisions State water and waste water funding Capital outlay
	Public	<ul style="list-style-type: none"> Direct Investment Program SBIC Equity funds 	<ul style="list-style-type: none"> IRBs SMART Money New Market Tax Credits 	<ul style="list-style-type: none"> SBIC equity funds SMART Money New Market Tax Credits 	
		Equity – Unhedgable Business Risk	Property, Plant & Equipment Funding	Working Capital Funding	Tax exempt finance For public infrastructure improvements
Capital Use					

Community Development Tools

- Special Assessment District
- Public Improvement District
- Business Improvement District
- Tax Increment District (Financing)

NMFA Financing Tools

- General Financing Tools
 - Public Project Revolving Fund
 - Primary Care/Behavioral Health
 - Childcare Revolving
 - Energy Efficiency (schools)
- Water Financing
 - Drinking Water Revolving
 - Water Trust Board
- Transportation Financing
 - Local Transportation Infrastructure Fund
- Economic Development
 - SMART Money Initiative
 - New Markets Tax Credits



Community Development Tools

Special assessment districts

Public improvement districts

Business improvement districts

Tax increment districts

■ Special Assessment District

- Allow property owners within specific boundary to finance infrastructure improvements
- City defines boundary, engineer designs and cost out improvement
- Property owners assessed proportionate share
- City issues bond for improvements

■ Public Improvement District

- Streamlined version of SAD
- Bond issued from revenues from assessments specific to new infrastructure improvements within district
- State/city not responsible for debt, responsibility of PID

■ Business Improvement District

- Similarly formed like PID
- Created to provide for restoration of economic vitality of district
- Certain allowances for bond issuance for construction

■ Tax Increment Districts

- Majority of property owners can form tax increment district by petition and TID plan to governing body
- Governing body passes resolution and creates 5-member TID Board
- Resolution allows ability to bond against projected incremental tax revenues
- Property owners (or developer) must fund 20 percent of public infrastructure upfront

■ Tax Increment Financing

- Base year established for tax purposes, baseline.
- TIF allows for incremental tax over baseline to be used for public infrastructure pay-as-you-go or bonds
- Incremental revenues: certain municipal, county and state gross receipts/property taxes. Must receive approval of respective governing body

■ TID Plan

- Defines geographic boundaries
- Provides schedule of buildout, including required public infrastructure
- Provides cost estimate of public infrastructure improvements with demonstrated 20 percent owner equity
- Estimates tax revenue generation based on buildout schedule, including economic modeling based on absorption assumptions

■ Plan of Finance

- City/County must approve tax increments
- State Board Finance must approve state GRT
- Bond finance plan no longer than 25 years
- NMFA Board must review overall plan of finance
- Legislature must authorize issuance of bonds
- Process is complex, minimum of 6 months in advance of legislative session, July



NMFA Financing Tools

Debt Financing through PPRF

Private/Public Partnerships

SMART Money

New Markets Tax Credits

■ Accessing Capital Markets

- NMFA offers several financing programs to provide communities lowest cost financing
- Primary mechanism PPRF
- Can issue bond/loan for city to pay for capital infrastructure, based on city GRT or other revenues
- Typical projects:
 - Water/wastewater improvements
 - Highways/road improvements
 - Public buildings
 - Fire protection/law enforcement
 - Economic development, i.e., LEDA financing for public infrastructure component of larger deal

■ Lowering Cost of Capital

- NMFA will cover costs to issue bonds, and provide other incentives for low-income community
- Provide clients best available rate in the market (AAA), despite underlying credit
- Not only benefit to communities without a bond rating, but also those who frequently issue bonds
- Many times, NMFA will combine the incentive of several programs to bring down overall cost of borrowing
- Tax-exempt interest rates: investors do not have to pay tax on earning, i.e., willing to accept lower yield

■ Accessing Capital Markets

- Seek out private financing opportunities where market is not functioning
- Participate in loan, up to 49 percent of total borrowing
- Stay in equal collateral position with bankers
- Require legislative authorization
- Provide business fixed rate commercial loan at below market:
 - Raton Wood Business
 - Las Vegas Plaza Hotel
 - Alamogordo medical billing company
 - Silver City Historical Murrery Hotel

■ Participating with Local Lenders

- Work with local bankers, rather than compete
- Seek out expertise of local lending community to complete due diligence
- Streamline borrowing process, seek to use local lenders documentation
- Ensure project has support of local community, city executive team
- Structure debt on market index, typically, U.S Treasury

NMFA (i.e., Finance New Mexico) Business Strategy

- Applied to US Dept of Treasury, received \$110 million allocation
- Message to feds: New Mexico has tremendous demand for private sector financing, NMFA will deploy New Markets Tax Credits to businesses that will create good, sustainable jobs for New Mexico
 - Deploy 40 percent of tax credit allocation to rural New Mexico
 - Deploy 60 percent of tax credit allocation to New Mexico urban areas first to job creating businesses, then to urban redevelopment projects to revitalize dilapidated areas
- Seeking businesses ready to put capital to work now, particularly those that provide triple bottom line results: environmental, targeted industry, address lacking community need

¡Believing in New Mexico!

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