



## Tools for Financing Real Estate and Business Development Projects

October 2016

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## SMALL BUSINESS LOANS AND LOAN GUARANTEES

### ACCION

us.accion.org  
505.322.6856  
800.508.7624

Business term loans from \$1,000 to \$1 million. Commercial real estate loans from \$35,000 to \$1 million. Start-up business loans up to \$100,000. Lines of credit from \$20,000 to \$100,000.

Interest rates range from 8% to 22%.

Provides capital, advice and a community of support. Emphasizes helping those who do not have access to credit from traditional sources.

### The Loan Fund

loanfund.org  
505.243.3196  
866.873.6746

Loans, training and consulting for businesses and non-profits. Business loans for equipment, inventory, real estate, building renovations, operating capital.

SBA microloans up to \$50,000. SBA 504 real estate / equipment loans up to \$500,000. Interest rates: 7.875 to 10%. Terms: 1-10 years; 15-20 year amortizations for real estate loans.

Emphasizes assisting businesses and nonprofits that are not able to obtain financing through banks or credit unions. Targets low-income and underserved communities.

### WESST

wesst.org  
505.246.6900  
800.GO.WESST (800.469.3778)

Business consulting, training, entrepreneurship resources and loans. Loans for business development or expansion, inventory, materials, tools, equipment, fixtures, remodeling and working capital. Headquarters in Albuquerque with regional offices in Farmington, Las Cruces, Rio Rancho, Roswell and Santa Fe.

Loans to start-ups range from \$200 to \$10,000. Loans for existing businesses range from \$200 to \$50,000. Interest rates: 5 to 7.5%. Maximum term is 6 years.

Mission is to help low-income women and minorities achieve financial stability through self-employment. Facilitates the start-up and growth of women and minority-owned businesses in NM, but services are available to all NM residents.

**SBA 7(a) Program**

sba.gov/nm  
505.248.8225

Loan guarantees for start-up, expansion / renovation, new construction, purchase land or building, purchase equipment, fixtures, leasehold improvements, working capital, seasonal line of credit, inventory.

Maximum guarantee of 85% if gross loan is less than \$150,000; 75% if from \$150,000 to \$5 million (maximum guarantee is \$3.75 million). Interest rate: 4% to 10%. Terms of 7-10 years; up to 25 years for real estate and certain fixed assets.

Lenders throughout the state handle 7(a) loans. The SBA guarantee reduces the lender's risk of borrower non-payment. If the borrower defaults, the lender can request SBA to pay the percentage of the outstanding balance guaranteed by SBA.

**SBA 504 Program**

sba.gov/nm  
505.248.8225

**Enchantment Land Certified Development Company**

(serves NM) elcdc.com  
505.843.9232 (Albuquerque)  
575.524.6830 (Las Cruces)

**Capital Certified Development Corporation**

(serves TX and NM) capitalcdc.com  
505.250.0572 (Albuquerque)  
806.749.3600 (Lubbock, TX)

**Mountain West Small Business Finance CDC**

(serves UT and San Juan County, NM) mwsbf.com  
801.474.3232

**Community Economic Development Company of Colorado**

(serves CO and NM) cedco.org  
303.893.8989

Economic development program that provides long-term (10 or 20 year), fixed-rate, subordinate mortgage financing for acquisition and/or renovation of land, buildings, other fixed assets. Project costs financed by 50% loan up to 40%, lender 50%, business owner equity 10-20%. Project must generate a certain number of jobs and/or meet other specific public policy goals.

Low interest rate loans of up to \$5.5 million. Certified Development Companies (CDCs) work with banks and other lenders to make loans in first position on reasonable terms, helping lenders obtain CRA credit.

Lender (non-guaranteed) financing secured by first lien on project assets. 504 loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by second lien. CDCs partner with lenders around the state and region.

**USDA Rural Development****Business and Industry Guaranteed Loan Program**

rd.usda.gov  
505.761.4953

Loan guarantees of 60-90% of loans provided by lenders. Loans for working capital, machinery and equipment, real estate – acquisition, construction, conversion, expansion, repair, modernization, development.

80% guarantee on loans \$5 million or less; 70% for loans between \$5 and \$10 million; 60% for loans \$10-25 million.

For rural communities outside a city or town with a population of less than 50,000. Priority for communities under 25,000.

### **Collateral Support Participation Program**

New Mexico Finance Authority  
nmfa.net  
505.984.1454

NMFA partners directly with banks to provide capital to creditworthy businesses seeking to expand and create or retain jobs. NMFA purchases a portion of the bank's loan, often in a subordinated collateral position, mitigating the bank's risk and lowering the interest rate paid by the business.

This bank loan participation program lowers the interest rate to the business borrower.

Borrower will need to meet the bank's lending requirements with the exception of the deficient collateral, which is enhanced through the program.

## **VENTURE CAPITAL**

### **New Mexico Community Capital**

nmccap.org  
505.924.2820; 866.222.1552

Capacity-building services to help enterprises achieve a position to accept capital. Target high-potential, underserved entrepreneurs and companies located in or willing to relocate to NM, primarily in the industries of water, energy, healthcare and food/agriculture.

Venture capital equity investments in promising companies with which NMCC works side-by-side until they reach a sufficient size and credibility.

Seeking businesses with experienced management, a proprietary product that addresses a market need in a large and growing market, and an ability to build wealth and successful communities through meaningful job creation.

## REAL ESTATE PROJECT TAX CREDITS

### **New Markets Tax Credits**

New Mexico Finance Authority  
nmfa.net  
505.984.1454

NMTC loan funds can fund up to 25% of a NM business' commercial, industrial and retail real estate project at a low interest rate. NMTC loans are combined with other sources of funding that is secured by the applicant and managed by Finance New Mexico. Funds are supplied through a 39% federal tax credit designed to attract investment capital from corporate or individual taxpayers to low-income communities.

Recipients must be located in an eligible low-income census tract. An address can be checked for eligibility using the NMTC mapping tool.  
cohnreznick.com/nmtc-mapping-tool

NMFA's current policy is to allocate NMTC loans only to rural areas.

Businesses applying for NMTC funding are required to limit their requests and communication on the project to the written format provided by NMFA.

### **State Income Tax Credit for Registered Cultural Properties**

New Mexico Historic Preservation Division (HPD)  
nmhistoricpreservation.org  
505.827.6320

NM state income tax credit of 50% of eligible costs of a pre-approved historic building rehabilitation. Property may be a personal residence, or an income-producing property.

Maximum credit of \$25,000. Credit may be carried forward 4 additional years. When located within a certified Arts & Cultural District, maximum credit is \$50,000.

Property must be individually listed in, or contributing to a historic district listed in, the State Register of Cultural Properties. State Cultural Properties Review Committee must approve proposed rehabilitation work prior to beginning project. Work must conform to the Secretary of the Interior's Standards for Rehabilitation.

### **Federal Rehabilitation Tax Credit**

New Mexico Historic Preservation Division (HPD)  
nmhistoricpreservation.org  
505.827.6320

Federal income tax credit of 20% of the eligible costs of rehabilitation work. Project must be an income-producing property, not personal residence. Participation in the federal program is initiated with the State Historic Preservation Division (HPD) in Santa Fe.

Eligible expenses of a project must be at least equal to the adjusted basis of the property. Credit may be carried backward 1 year and forward for 20 years.

Property must be individually listed in, or contributing to a historic district listed in, the National Register of Historic Places. National Park Service must certify the rehabilitation work. Work must conform to the Secretary of the Interior's Standards for Rehabilitation.

**National Trust Community Investment Corporation**  
ntcicfunds.com  
202.588.6001

Enables equity for projects from outside investors who purchase tax credits. NTCIC packages and sells (syndicates) historic, New Markets, solar, and low-income housing tax credits to investors. Proceeds are used as equity investment in local projects. Investors receive ownership interests and tax credit benefits.

NTCIC will provide equity in amounts as small as \$1 million in combined credits.

One third of the corporation's transactions have been with nonprofit sponsors and two thirds with for-profit developers. Project types include multi-family loft housing, office buildings, mixed-use properties, museums, theaters, and community service facilities.

## COMMUNITY INFRASTRUCTURE AND FACILITIES

### **New Mexico Capital Outlay**

Contact your state legislator.  
Capital Projects Bureau, NMDFA  
[http://nmdfa.state.nm.us/capital\\_outlay\\_bureau.aspx](http://nmdfa.state.nm.us/capital_outlay_bureau.aspx)  
505-827-3651

Funding for public capital projects for infrastructure and community facilities and equipment.

Obtain capital outlay request form at [nmlegis.gov](http://nmlegis.gov).

Funding comes from laws passed by the Legislature and signed by the Governor. Representative or Senator initiates legislation for a project. Submit request form signed by sponsoring legislator. Criteria include: project is on Infrastructure Capital Improvements Plan (ICIP); meets critical public purpose needs; is supported by sound planning.

### **New Mexico MainStreet Public Infrastructure Funding**

New Mexico MainStreet  
New Mexico Economic Development Department  
<http://nmmainstreet.org/beta/wp-content/uploads/2016/05/Invit-To-Sbmt-Cnstrctn-Ready-Dcmnts2017FNL-.pdf>  
505.827.0151

Grant funds for public infrastructure and capital improvement projects in Accredited NMMS communities in good standing and certain Frontier Communities and Arts & Cultural Districts.

In 2016, the Legislature and Governor allocated \$500,000 for FY 16-17. Project awards range up to \$300,000.

Applications are typically due to EDD in summer. Requires construction ready documents and a plan for capitalizing on the public investment to leverage private property improvements, business creation and expansion, jobs and revitalization.

**Public Project Revolving Fund**  
New Mexico Finance Authority  
nmfa.net  
505.984.1454

Financing for local governments for public projects such as water system upgrades, other public infrastructure improvements, fire and law enforcement equipment, and public buildings.

Disadvantaged communities, based on certain median household income levels, qualify for subsidized loans at very low rates. Other communities may borrow at competitive market rates.

Funded primarily through NMFA's share of Government Gross Receipts Tax, which provides approximately \$26 million per year in new capital.  
  
Applications are accepted throughout the year.

**USDA Rural Development  
Community Facilities Loan and Grant Programs**  
rd.usda.gov/nm  
505.761.4963

Loans, loan guarantees and grants to public bodies and non-profits for essential community facilities and equipment in rural areas. Eligible uses include health care facilities, public buildings, street improvements, child care centers, community centers, public safety services, museums, libraries, local food systems, etc.

Grant assistance may be available for up to 75% of project costs. Loans and a 90% (maximum) loan guarantee help to finance projects.

For rural areas including cities, villages and towns up to 20,000 in population.

**US Economic Development Administration  
Economic Adjustment Assistance, Public Works, and  
other Programs**  
eda.gov  
512.381.8150 (Austin Regional Office)

Grant programs to fund public sector economic development and economic recovery initiatives in economically distressed areas of the US. Funded efforts include essential public infrastructure that supports private sector jobs, technical assistance and strategic economic development planning.

Grant investments are made under a variety of EDA programs.

Applicant projects compete according to EDA investment policies: collaborative regional innovation; public-private partnerships; national strategic priorities; global competitiveness; environmentally-sustainable development; and underserved communities.

### Community Development Block Grant (CDBG)

For Non-Entitlement Cities:

Community Development Bureau

New Mexico Department of Finance and Administration

[nmdfa.state.nm.us/Community\\_Development\\_Bureau\\_1.aspx](http://nmdfa.state.nm.us/Community_Development_Bureau_1.aspx)

505-827-4974

For Entitlement Cities (Albuquerque, Rio Rancho, Las Cruces, Santa Fe and Farmington):

Contact your City government

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. The CDBG program works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses.

The annual federal CDBG appropriation is allocated between States and local jurisdictions called "non-entitlement" and "entitlement" communities respectively. Entitlement communities are comprised of central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). States distribute CDBG funds to non-entitlement localities not qualified as entitlement communities.

HUD determines the amount of each grant by using a formula comprised of several measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas.

Annual funds available for NM non-entitlement cities in recent years have totaled about \$10 million. DFA's Community Development Bureau emphasizes infrastructure allocations (typically \$500,000 granted per project), and also has CDBG funds for economic development, emergency, and planning grants. Additional CDBG housing funds are administered in partnership with New Mexico Mortgage Finance Authority.

Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

CDBG funds may be used for activities which include, but are not limited to:

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes
- Public services, within certain limits
- Activities relating to energy conservation and renewable energy resources
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities



## ECONOMIC DEVELOPMENT PROJECT INCENTIVES

### **Local Economic Development Act (LEDA)**

#### **Local Option Gross Receipts Tax (LOGRT)**

New Mexico Economic Development Department  
gonm.biz  
Contact your EDD Regional Representative.

A community adopts a LEDA ordinance creating an economic development organization with a strategic ED plan. LEDA allows local governments the ability to offer financial assistance to qualifying businesses for economic development projects.

83 New Mexico communities have passed a LEDA.

Through LEDA, up to 5% of the annual General Fund expenditures may be used to fund economic development projects. New revenue can be generated by citizens voting to raise LOGRT for economic development projects. Rate is 1/8 of 1%.

### **State LEDA Capital Outlay Funds**

New Mexico Economic Development Department  
gonm.biz  
505.827.0238

Pursuant to the Statewide Economic Development Finance Act, EDD grants LEDA Capital Outlay funds to local governments to help support certain economic development projects that meet permanent, full-time, private sector job requirements and other conditions.

Funds are provided on a reimbursable basis only. Local government must adopt the project by ordinance.

Target industry clusters include aerospace and defense, advanced manufacturing, back office and technical support, digital and emerging media, energy, food processing, and logistics, distribution and transportation.

### **Job Training Incentive Program**

New Mexico Economic Development Department  
gonm.biz  
505.827.0249

Funds classroom and on-the-job training for newly-created jobs in expanding or relocating businesses for up to six months.

Reimburses 50-75% of employee wages.

Eligible businesses include companies that manufacture or produce a product in NM; non-retail service companies that export a substantial percentage of services out of state; certain green industries. Not eligible are businesses in agriculture, construction, extractive industries, gambling, health care, and retail.

### **Metropolitan Redevelopment Area (MRA)**

Metropolitan Redevelopment Code [3-6oANMSA 1978] provides municipalities with tools to rehabilitate and redevelop an area, district or neighborhood that is deteriorated, blighted or underutilized. Municipality designates area and establishes boundaries; develops a MRA plan through public process; plan identifies opportunity projects for redevelopment.

Albuquerque has about 20 MRAs in downtown and other districts. 15 NMMS districts have adopted MRA plans.

MRA tools include tax increment financing, revenue bonds, land assembly, complementary overlays such as historic districts and arts and cultural districts, environmental abatement, and focusing and coordinating of multiple governmental and private programs and resources.

**Tax Increment Financing (TIF)**

Tax increment financing is a key financing mechanism empowered by the adoption of a MRA. For the redevelopment area, much of the gains in net new property and gross receipts tax revenues above the amounts in a base year (the “increment”) are channeled back into projects and programs in the area. By plowing the incremental revenues back into the district rather than allocating the revenues to other functions, the municipality is able to achieve sufficient concentration of resources in the blighted area.

Funds are used to purchase and develop infrastructure and public facilities; and to acquire and redevelop property for commercial and housing uses in participation with the private sector.

Traditionally used in NM and nationwide to redevelop existing urban areas in need of financial incentives to make reinvestment feasible.

**Tax Increment Development Districts (TIDD)**

In 2006, the Legislature passed the Tax Increment Development Act, revising TIF law to allow for the creation of TIDDs. It allows cities and counties to create TIDDs that can leverage the future gross receipt and property tax revenues within a defined area to finance the sale of public bonds. Bond funds are allocated to the project developer to pay the infrastructure costs of the new development.

Bond proceeds are used to fund roads, water, sewer and schools, and other infrastructure.

Most often used in NM as a way to help finance completely new communities or new areas.

**New Mexico Industrial Revenue Bonds (IRBs)**

Municipalities and counties are authorized to issue IRBs to stimulate expansion and relocation of commercial and industrial projects. IRBs provide for tax subsidies such as property tax exemption, gross receipts tax deduction, and exemption of bond interest from state and federal income taxation.

Since 1985, more than 100 series of bonds totaling several billion dollars have been issued by 30 municipalities and counties.

Eligible uses include headquarter office buildings, warehouses, manufacturing facilities, and service-oriented facilities not primarily engaged in retail sales.

## RURAL BUSINESS DEVELOPMENT PROGRAMS

### **Rural Business Development Grant (RBDG)**

USDA Rural Development  
rd.usda.gov/nm  
505-761-4956

Grants to public bodies, private nonprofit corporations and tribes that support targeted technical assistance, training and other activities leading to the development or expansion of small and emerging private businesses in rural areas that have fewer than 50 employees and less than \$1 million in gross revenues. Programmatic activities are separated into enterprise or opportunity type grant activities.

For enterprise type grants, smaller requests are given higher priority. Grants generally range from \$10,000 up to \$500,000. Opportunity type grants are limited to a maximum of \$50,000.

Funds must be directed for projects benefitting rural areas or towns outside the urbanized periphery of any city with a population of 50,000 or more. Enterprise funds are used for activities that benefit specific small and emerging businesses (technical assistance, building renovation, equipment, incubators, training programs, etc.). Opportunity funds are used for strategic planning, studies, training and leadership development, etc.

### **Rural Economic Development Loan and Grant (REDLG)**

USDA Rural Development  
rd.usda.gov/nm  
505-761-4956

Provides funding to rural projects through local utility organizations. Under the REDLoan program, USDA provides zero interest loans to local utilities which they, in turn, pass through to local businesses (ultimate recipients) for projects that will create and retain employment in rural areas. The ultimate recipients repay the lending utility directly. The utility is responsible for repayment to the Agency. Under the REDGrant program, USDA provides grant funds to local utility organizations which use the funding to establish revolving loan funds (RLF). Loans are made from the revolving loan funds to projects that will create or retain rural jobs. When the revolving loan fund is terminated, the grant is repaid to the Agency.

Up to \$300,000 in grants may be requested. Up to \$1 million in loans may be requested. An ultimate recipient (business or community borrower) may request up to 80% of project costs using REDLG funds. RLF interest rate is 0%; maximum loan term is 10 years.

Intermediaries may use funds to lend for projects in rural areas or towns with a population of 50,000 or less. Eligible projects include business incubators, community development assistance, facilities and equipment for economic development training, financing fixed assets for start-up ventures, business expansion, and technical assistance.