

ALBUQUERQUE DEVELOPMENT COMMISSION
Local Economic Development Act Hearing

December 17, 2020

Case #2020-14

LEDA-20-8: Southwest Pattern Works, Inc. Project

REQUEST: Approval of \$100,000 in Local Economic Development Act (LEDA) Zero Interest Loan funds is requested.

NOTE: The State of New Mexico's Economic Development Department (NMEDD) has developed a loan program in response to the economic hardship suffered by many New Mexico businesses during the COVID-19 pandemic, with the intent of supporting those businesses and those they employ. NMEDD has asked communities statewide to partner with the department, as fiscal agents for a zero-interest State loan program through the Local Economic Development Act (LEDA). Funding will assist businesses with expenses relating to land, buildings, and infrastructure, as required by the LEDA and local ordinances.

It is very important to understand that the City and this Commission are not being asked to evaluate whether a loan should be given to a particular company, nor should the City or this Commission be concerned with the terms of the loan. No City funds are involved in these transactions. The Administration and City Council have agreed to make changes in the City's LEDA, enabling legislation and removing the requirement for a 10-year company commitment to operate. The goal is to shore up existing businesses with a two-year, 0%-interest loan to help maintain and sustain jobs during the pandemic; the program is less about job creation than job retention. Additional information on this program is attached and can be found at <https://gonm.biz/about-us/covid-19-response>.

The Economic Development Department (EDD) and the Commission are being asked to review and recommend these projects to the City Council, based upon each project's compliance with the City's LEDA plan. The City will then be the fiscal agent for the State LEDA funds. The City is relying solely on the representations made by the companies participating in the State's 0%-interest loan program and on the State's due diligence in reviewing and approving these projects; the companies and the State assume responsibility for the accuracy of the information.

Also, the economic impact analysis is different from what we usually use on the City's projects. We agreed to accept the analysis of the State's economic consultant/model/staff since only State funds were involved. A copy of the company's application to the state is attached.

We appreciate the State's Economic Development Department staff's collaboration with us to assist Albuquerque companies in these uncertain times.

PROJECT SUMMARY:

Southwest Pattern Works, Inc. ("SWP") is a mold and foundry tooling corporation that has been in business in Albuquerque since 1994. Its experienced team of journeyman pattern makers, machinists, and engineers use the latest CAD/CAM technology to produce CNC machined molds and patterns for any casting or molding process. SWP is expanding its developing composite

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side, sister company Southwest Composite Works. This requires the company to move into a larger facility that has clean room capabilities. The company's intention is to not only provide quality products and services to business and industry, but also to help the local community by providing skilled jobs for the greater Albuquerque area. With the assistance of the LEDA loan, the company can renovate the 15,000-square-foot facility at 509 General Chennault SE.

Currently, SWP employs eight individuals. The growth plan requires the creation of the following positions:

- Engineer: 1 position at a base salary of \$60,000 - \$80,000
- Composite technician: 1 position with a base hourly rate of \$17 per hour
- Machinist: 1 position with a base hourly rate of \$17 per hour

SWP is working with NMEDD to sustain the company's New Mexico employee count via support of the 0%-interest loan program. The \$100,000 loan will be used for mortgage payment and tenant improvement for SWP's new facility, freeing up other capital for the company to maintain operations.

Over the past several years, SWP has taken on an increasing number of composite-related jobs. With the expansion of Southwest Pattern Works, it is intended the primary focus will be on carbon fiber forging and compression molding. Fiber forging forces a paste of chopped composite fibers and an epoxy binder into a metal mold under heat and pressure. This process can produce composites that require less expensive material and labor, compared to traditional layups. It can also make geometries that are un-manufacturable using other composite manufacturing methods. One downside of fiber forging is a slightly reduced strength compared with traditional composite layups, due to some loss of control over the fiber orientation. However, fiber forging still produces a part that is much stronger and lighter than aluminum, which is the primary material competitor.

Compression molding is a similar process, but it involves laying up prepreg fabric sheets instead of a chopped fiber charge. It is better suited to mass production of more traditional composite parts. The market for compression molding is also very similar to that of fiber forging. Compression molding can achieve a higher strength but cannot manufacture as many geometries. Both processes are well-suited for medium- to large-scale production of composite parts. SWP's business involves a unique, cutting-edge product that few companies in the state are producing. This attracts new business to the state.

SWP has identified sporting goods, marine, scientific, automotive, and aerospace as potential markets. The company expects sporting goods to be the largest initial segment of its business. As the demand for high performance among elite athletes rises, athletes are continuously looking for ways to shave weight from their equipment. The result: Composites are being utilized in high-end sports equipment at a higher rate. Many sports applications are amenable to compression molding applications. SWP's largest production order comes from this sector.

The funding from the LEDA Zero-Interest Loan will be for a period not to exceed two years for mortgage payments totaling \$26,000 for SWP's new facility and \$74,000 in tenant improvements at 509 General Chennault SE. The property is zoned non-residential, commercial (NR-C). The major cross streets are Moon Street and Trumbull Avenue.

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The company will use the funding to ramp up quickly. If it is not able to grow, the result would be loss of revenue and a reduction of headcount. It was imperative that the facility chosen for the company's composite division have the ability to expand as the business grows. SWP is seeking a permanent solution for future growth.

SWP expects the renovation of the building to be a phased project and plans to outsource to local contractors for interior demolition, upgraded electrical systems, the build-out of offices, and repainting of interior spaces. The building was selected due to the minimal renovation required to move in and the ability to quickly resume manufacturing, without any significant manufacturing time lost.

Since there are very few companies specializing in advanced composite structures in New Mexico, SWP's goal is to become the premier advanced composite structures manufacturer in Albuquerque as well as in the state.

While the company does not now provide benefits, it is researching the possibility and examining a variety of health care options the company does provide paid holidays and vacation for staff that become eligible.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. Qualifying entities for these projects include:

A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

- A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- B. A commercial enterprise for storing, warehousing, distributing, or selling products of agriculture, mining, or industry, but not including enterprise for sale for goods or commodities at retail or for the distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilizes, except as produced by paragraph E of this definition;**

Exhibit 2 delineates the required Project Participation Loan Agreement ("PPLA") between SWP and the City. The PPLA is summarized in Section V.

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model. The fiscal impact determination of the project is based upon information the company provided. The analysis shows that the SWP's operations will support employment and other positive economic impacts in the City.

The State is providing a loan in the amount of \$100,000 to assist SWP with building and tenant improvements. and to help maintain their employment levels in Albuquerque. In regard to the financial viability of the project, NMEDD has provided the following statement:

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The New Mexico Economic Development Department staff has reviewed SWP's financials and has found the following:

The Company has been profitable prior to this current situation. Based on the financial information provided, even if they resumed operations at a decrease of 25%, they would still be able to service this debt.

We note that there are definite strengths with this application:

1. Company demonstrates year over year growth in both sales' revenue and profit
2. Company has low long-term liabilities
3. Company is an established tester of precision aerospace component parts and this service will continue to be in demand after the pandemic

We noted no weaknesses with this application.

NMEDDD staff has reviewed and SWP meets the standards for approval.

FINDINGS:

1. LEDA 20-8 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. SWP's established tester of precision aerospace components has lasting growth potential; and
3. The City is willing to act as fiscal agent for the State's 0%-interest loan program for SWP; and
4. LEDA 20-8 would make positive, substantive contributions to the local economy and community by retaining eight jobs and adding two for a total of 10 jobs; and
5. Subject to the development of acceptable security documents, LEDA 20-8 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within two years; and
6. Subject to the development of acceptable security documents, LEDA 20-8 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

PROJECT ANALYSIS: The project, as proposed in the project application, will be analyzed in accordance with the City's LEDA Zero-Interest Loan project evaluation criteria.

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a “Qualifying Entity” eligible for LEDA Zero-Interest Loan assistance. SWP qualifies under the Act and the Ordinance by meeting the following definition:

As stated in the Summary, qualifying entities for these projects include

A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:

- A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- B. A commercial enterprise for storing, warehousing, distributing, or selling products of agriculture, mining, or industry, but not including enterprise for sale for goods or commodities at retail or for the distribution to the public of electricity, gas, water or telephone or other services commonly classified as public utilizes, except as produced by paragraph E of this definition;**

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City’s enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City’s community economic development plans, shall receive priority. SWP’s project qualifies as the type of project that meets the City’s identified economic development priorities under (F/S O-04-10) in the following categories:

- (A) Manufacturing firms (including intellectual property such as computer software)**
- (B) Projects in industry clusters listed above are particularly encouraged,**

The City’s plan also states that the City has “considerable flexibility in determining what is considered as adequate benefits.”

Southwest Composites (SWC) was founded in early 2014 to debut composite technology, and specifically carbon fiber, to the Albuquerque area and provide concept-to-completion composite services to a fast-growing market. Carbon fiber is five times

stronger than steel, and half the weight of aluminum, making it a highly attractive material for a wide variety of products. Over the past several years Southwest Pattern Works has taken on an increasing number of composite-related jobs. The company has agreed to maintain their current headcount and also add 2 technical positions, with an average wage of \$33,000/year.

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

Legal Description

509 General Chennault SE, Albuquerque, NM 87108

Parcel: 1 020 056 173 389 20207

Prevailing Site Conditions

The above property had been purchased on August 3, 2020. Currently, the property is being renovated to suit the needs of Southwest Pattern Works. The property has not had an active business presence for about 10 years.

Present Assessed Value

\$580,000

Present and Proposed Zoning

NR-C, Commercial, Non-Residential

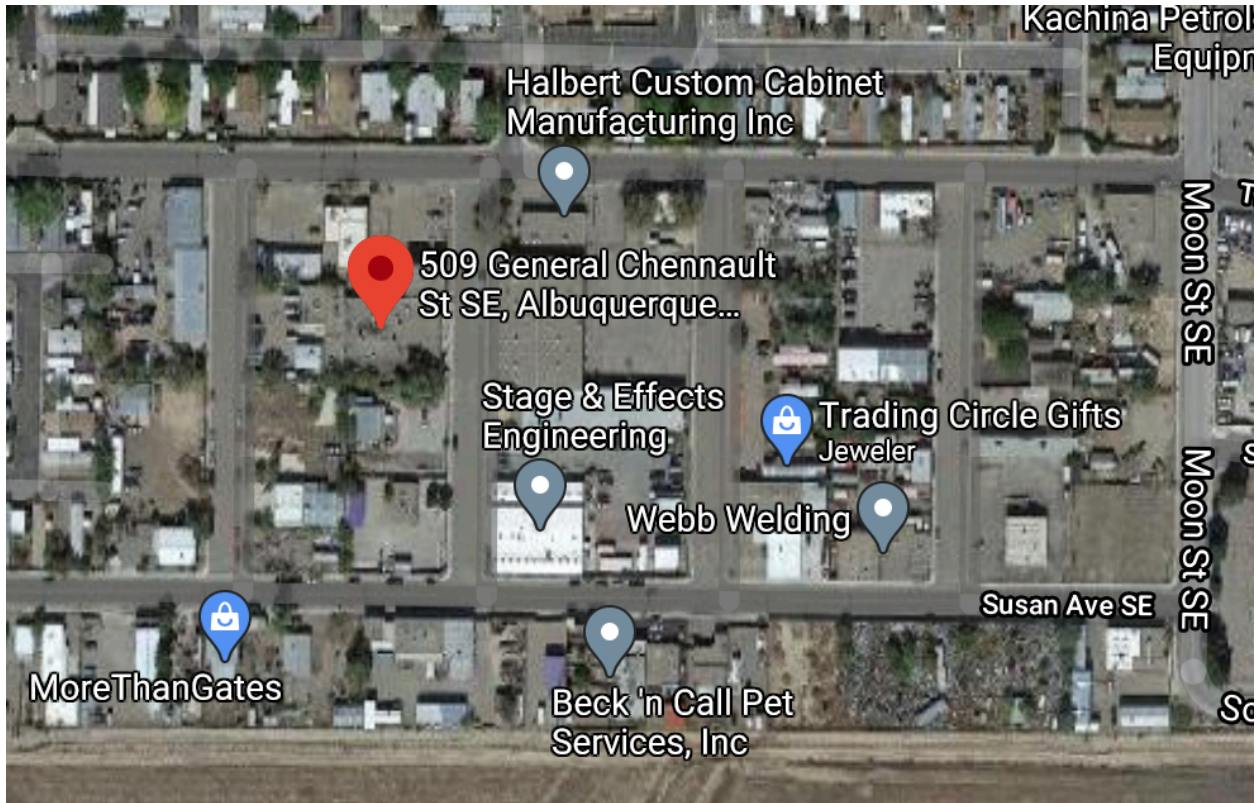
Present and Proposed Zoning

The site is currently zoned non-residential, light manufacturing zone district.

No changes will be required for the proposed use.

2. LAND USE:

The project occupies 509 General Chennault SE, Albuquerque, NM 87108.



Phase 1: 5,000 sq/ft will immediately be used by the company. New floors have been installed using Epoxy over concrete ground. Electrical will be run through the entire building, and the remaining 10,000 sq/ft will be utilized as offices, tool storage, and shipping and receiving space. A security system has also been installed. Heating and cooling in the building are functional.

Phase 2: Build-out of additional office space. This would require adding walls, windows, etc. This phase would also include building a quality control inspection area.

3. INFILL:

The property was formerly owned by Ashooh and Indu Kaushal for the past two years. As mentioned above, the property was purchased in August 2020. The property has not had an active business presence for about 10 years.

4. DESIGN AND CONSERVATION:

This project will have no effect on infrastructure. Existing infrastructure is satisfactory and no changes are required.

No historic properties are involved.

No individuals, families, or businesses will be displaced by the activities outlined in this plan. The project is to be located within an existing manufacturing facility.

5. RENEWABLE ENERGY:

Southwest Pattern Works is obtaining quotes for photovoltaic solar panels that could cover 100% of its energy use depending on the final cost of the solar system.

III. ECONOMIC BENEFITS

6. COMPETITION:

The composites industry is growing at about 8% annually. Composite parts have evolved over the last several decades from a high-tech material used only in aerospace applications to a material that is applicable to everyday applications. SWP intends to focus primarily on areas where mass-market adoption is becoming possible due to falling carbon prices, because customers in these segments are more likely to value the support and guidance SWP will provide. The company has identified sporting goods, marine, scientific, automotive, and aerospace as potential markets.

Scientific applications for carbon fiber are unique. Scientific work often is heavy on prototyping, with no possibility of production orders. SWP has a strong relationship with Sandia National Laboratories in Albuquerque. Because SWP would be the only independent composites shop in Albuquerque, SWP would be well-positioned to take on a large percentage of Sandia's composites work.

For large-scale manufacturing, SWP's primary competitor is overseas markets. However, it's very challenging to compete with Southeast Asia and China on cost. Instead, SWP will focus on the benefits of having an American partner, including ease of communication, flexibility in terms, shipping options, intellectual properties protection, benefits of American-made branding, lower risk of supply chain disruption, and high standards of quality assurance. Customers have historically recognized and accepted that these benefits are of sufficient value to offset SWP's higher price point. This is apparent by the number of companies SWP has worked with, which in trying to manufacture goods overseas, have become frustrated by the challenges present there and re-shored their products back to the United States.

7. JOBS:

Below is a list of current SWP positions and salary:

- Owner: \$52,000/year
- Shop Manager / Machinist: \$45,760/year
- Composite Tech: \$35,360/year
- Shop Tech: \$27,040/year
- Machinist: \$37,440/year
- Machinist: \$38,480/year

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Vice President of Business Development: \$55,000/year
Admin/Bookkeeper: \$26,000/year

SWP is looking to replace its engineer position. This is in addition to the two jobs that are to be created.

Local Benefit

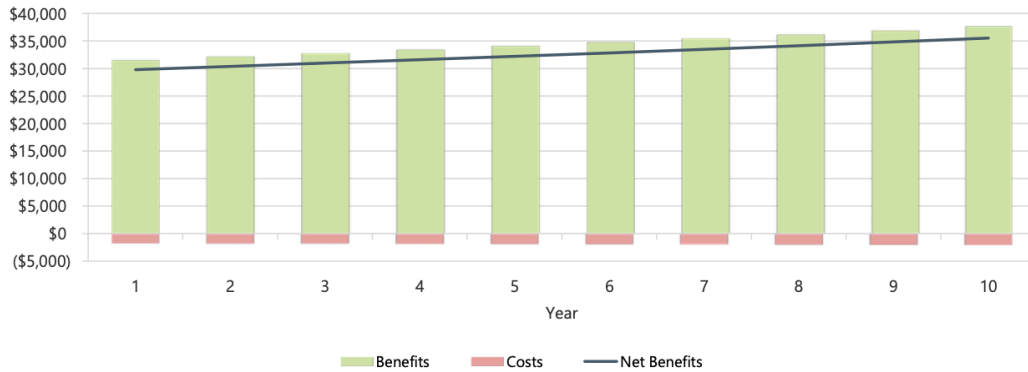
As shown in the table below, according to the economic impact model provided by the New Mexico Economic Development Department, the City would see a net present value of approximately \$249,575.

Table 10. Albuquerque: Benefits, Costs, and Net Benefits Over the Next 10 Year

	Amount
Gross Receipts Taxes	\$310,811
Real Property Taxes - Project	\$12,614
FF&E Property Taxes - Project	\$430
Property Taxes - New Residential	\$0
Utility Revenue	\$17,700
Utility Franchise Fees	\$3,320
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$344,875</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$19,116)
<u>Subtotal Costs</u>	<u>(\$19,116)</u>
Net Benefits	\$325,759
<i>Present Value (5% discount rate)</i>	<i>\$249,575</i>

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Figure 3. Annual Fiscal Net Benefits for the Albuquerque



IV. PROJECT FEASIBILITY

9. COST/ FEASIBILITY/ FINANCING:

The property has been purchased by the applicant with a 10% cash down payment and 90% financing through the Small Business Administration, via Bank of the West. Closing on the property was completed on August 3, 2020.

Cost of Project, LEDA Funding Amount and Private Financing

<u>Item</u>	<u>Cost</u>	<u>SBA Loan</u>	<u>Personal</u>	<u>LEDA Request</u>
Building	\$ 580,000	\$ 520,000	\$ 60,000	\$ 0
Renovations	\$ 135,600	\$ 18,000	\$ 0	\$ 74,000
Equipment	\$ 55,000	\$ 0	\$ 0	
Mortgage payments				\$26,000
TOTALS	\$ 770,600	\$ 538,000	\$ 60,000	\$ 100,000

10. DEVELOPER’S RECORD:

SWP has decades of experience in the industry and the company can identify cost-effective composite solutions that are produced according to industry standard. SWP specializes in consumer products, sporting goods, and the automotive aftermarket, yet is always looking for opportunities to apply its team’s expertise to new industries and applications. Customers include Sandia National Laboratories, EMI Technologies, Inc., Lobo Motorsports Formula SAE, Allied, and Los Alamos National Laboratory.

Additional information regarding the company, team, and services, can be found on SWP’s website, <https://www.swcompositeworks.com/>.

11. EQUITY:

The funds will be used for renovations and mortgage payments at the 509 General Chennault SE site. The loan will be repaid after the two-year term.

Based on financial information provided, the company appears capable of managing and completing the project.

12. MANAGEMENT:

Mr. John Groth is a journeyman tool maker who completed a 10,000-hour internship in Milwaukee, Wis., before moving to Albuquerque and founding Southwest Pattern Works. He has since shepherded the company through 25 years of successful operations and had many employees go on to have successful careers outside SWP, as well as alongside him.

A biography of the team can be found on SWP's website, <https://www.swcompositeworks.com/the-team>.

13. FISCAL IMPACT ANALYSIS

This project includes a fiscal impact analysis provided to the City from the New Mexico Economic Development Department, utilizing the IMPACT DataSource economic impact model. The fiscal impact determination of the project is based upon information the company provided. The analysis shows that the company's operations will support employment and result in other positive economic impacts in the City. Information from the report is attached.

V. PROJECT PARTICIPATION LOAN AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Loan Agreement (PPLA), which is the formal document, which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) The economic development goals of the project;**
- (2) The contributions of the City and the qualifying entity;**
- (3) The specific measurable objectives upon which the performance review will be based;**
- (4) A schedule for project development and goal attainment;**

- (5) **The security being offered for the City's investment;**
- (6) **The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) **The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

B. Each Project Participation Loan Agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.

The primary terms of the SWP Project Participation Loan Agreement are summarized and attached as an Exhibit.

1. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.
2. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain eight (8) full-time positions and add one (1) additional employees each year of the loan for a total of ten (10) employees. The minimum of twenty-five thousand (\$25,000) in monthly payroll the first year and thirty thousand (\$30,000) in monthly payroll for year two. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.
3. The State Contribution; Procedure for Disbursement of the State Contribution. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof. The loan is to be used for tenant improvements in the amount of \$74,000 whereas \$26,000 will be used to offset mortgage payments at the 509 General Chennault SE, Albuquerque, NM 87108. The City anticipates that the State Contribution of one hundred thousand dollars (\$100,000.00) will be delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. Upon submission of the Certificate of Occupancy the first disbursement of funds in the amount of \$26,000 which is to be used for mortgage payments will be released. Upon submission of a Tenant Improvement Plan detailing the various improvements and cost of materials and labor, the remaining LEDA funds (\$74,000.00) will be disbursed. Each quarter the company will provide proof of payment of LEDA eligible expenses, until the funds are exhausted. The City will submit an invoice to the State to request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to the Company in the manner described above.

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4. Interest. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement. However, if payroll as defined in Section 2 falls below 90%, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80%, interest on the loan will be 6% from the date of execution. If payroll falls below 70%, the loan will become immediately due and payable with accrued interest.
5. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City, and maintain during the entire term of this Agreement, 2nd lien position on the 509 General Chennault SE, Albuquerque, NM 87108 property, valued at \$580,000, by and through the executed Security Agreement attached hereto as Exhibit C. Security will be held in place until the loan is repaid in full. In addition, the Company shall furnish to the City, and maintain during the entire term of this Agreement, equipment worth in excess of XXX thousand dollars (\$XXX,000.00). Security will be held in place until the loan is repaid in full.

FINDINGS:

1. LEDA 20-8 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. SWP's established tester of precision aerospace components that has lasting growth potential; and
3. The City is willing to act as fiscal agent for the State's 0% interest loan program for SWP; and
4. LEDA 20-8 would make positive substantive contributions to the local economy and community by retaining 8 jobs and add 2 additional for a total of 10 jobs; and
5. Subject to the development of acceptable Security documents, LEDA 20-8 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within 2 years; and
6. Subject to the development of acceptable Security documents, LEDA 20-8 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

STAFF RECOMMENDATION:

Based on the above findings, staff recommends approval of LEDA 20-8 as proposed in the project plan application.

Economic Development Department

**LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN
AGREEMENT**

CITY OF ALBUQUERQUE AND SOUTHWEST PATTERN WORKS, INC.

LOCAL ECONOMIC DEVELOPMENT PROJECT 20-8

THIS LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN AGREEMENT (the “Agreement”) is entered into as of _____, 2020, by and between the CITY OF ALBUQUERQUE (the “City”), a political subdivision of the State of New Mexico (the “State”), and Southwest Pattern Works, Inc. (the “Company”). Together the City and the Company are called the “Parties,” and individually each a “Party.”

WHEREAS, the City provides public support of economic development projects to foster, promote and enhance local economic development efforts within the City pursuant to the Local Economic Development Act, Sections 5-10-1 17 through 5-10-13 NMSA 1978, as amended (the “Act”), and the City’s Local Economic Development Act Plan adopted pursuant to Ordinance No. F/S O-04-10 19 (the “LEDA Plan”), codified in the City’s Code of Ordinances at Sections 2-14-1-1 through 2-14-1-13; and,

WHEREAS, the City is permitted under the Act to serve as fiscal agent for the State of New Mexico (the “State”) to oversee and administer State local economic development funds committed to qualified entities located within the corporate limits of the City; and

WHEREAS, in response to the COVID-19 pandemic, the State Economic Development Department created a zero-interest loan program (the “Loan Program”) for qualified entities that meet the requirements of the Act; and,

WHEREAS, the State’s Loan Program is intended to provide short-term financing for qualified entities with repayment of the loan due within two years and with the loan amount being fully securitized for the protection of the State and public funds; and,

WHEREAS, the City is not providing any City funds to the Company pursuant to the State’s Loan Program and is solely serving as the State’s fiscal agent consistent with the requirements of the Act; and,

WHEREAS, pursuant to City Ordinance No. O-20-XX, adopted on XXX, 2020, the City temporarily suspended the requirements under the LEDA Plan requiring a qualified entity to remain in operations in the City for a minimum of ten years as related solely to those projects receiving funding under the State’s Loan Program; and,

WHEREAS, pursuant to the Act, the LEDA Plan and the Loan Program, the Company has submitted to the Council and the Albuquerque Development Commission (the "Commission") an application (the "Application"), attached hereto as Exhibit A, requesting certain economic assistance to help sustain business operations and the retention of the current 8 employees and the addition of 2 employees within the 2-year term of the loan. The minimum monthly payroll will

be \$25,000 for year 1 and \$30,000 for year 2 and a corresponding table of wages for those employees, attached hereto as Exhibit B; and,

WHEREAS, the City anticipates that the State will transfer to it, for subsequent transfer to or on behalf of the Company pursuant to an intergovernmental agreement between the City and the State, certain funds of the State that are available for the Project; and,

WHEREAS, after having considered the Application and the Agreement, the City Council has concluded that the economic and other benefits of the Project to the City will be material, and that it is desirable and necessary at this time to authorize the City to enter into the Agreement; and,

WHEREAS, the City passed implementing legislation O-20-XX on XX, 2020, authorizing the execution of this Agreement and other documents in connection with the Project,

NOW THEREFORE, the Parties agree as follows:

6. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.
7. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain eight (8) full-time positions and add one (1) additional employees each year of the loan for a total of ten (10) employees. The minimum of twenty-five thousand (\$25,000) in monthly payroll the first year and thirty thousand (\$30,000) in monthly payroll for year two. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.
8. The State Contribution; Procedure for Disbursement of the State Contribution. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof. The loan is to be used for tenant improvements in the amount of \$74,000 whereas \$26,000 will be used to offset mortgage payments at the 509 General Chennault SE, Albuquerque, NM 87108. The City anticipates that the State Contribution of one hundred thousand dollars (\$100,000.00) will be delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. Upon submission of the Certificate of Occupancy the first disbursement of funds in the amount of \$26,000 which is to be used for mortgage payments will be released. Upon submission of a Tenant Improvement Plan detailing the various improvements and cost of materials and labor, the remaining LEDA funds (\$74,000.00) will be disbursed. Each quarter the company will provide proof of payment of LEDA eligible expenses, until the funds are exhausted. The City will submit an invoice to the State to request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives

the State Contribution, the City will disburse the State Contribution to the Company in the manner described above.

9. Interest. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement. However, if payroll as defined in Section 2 falls below 90%, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80%, interest on the loan will be 6% from the date of execution. If payroll falls below 70%, the loan will become immediately due and payable with accrued interest.
10. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City, and maintain during the entire term of this Agreement, 2nd lien position on the 509 General Chennault SE, Albuquerque, NM 87108 property, valued at \$580,000, by and through the executed Security Agreement attached hereto as Exhibit C. Security will be held in place until the loan is repaid in full. In addition, the Company shall furnish to the City, and maintain during the entire term of this Agreement, equipment worth in excess of XXX thousand dollars (\$XXX,000.00). Security will be held in place until the loan is repaid in full.
11. Fees. Each party shall bear its own costs and expenses in connection with the negotiation, execution and delivery of this Agreement or any amendment of this Agreement.
12. Quarterly Requirements. The Company is required to submit to the City of Albuquerque Economic Development Department copies of its unemployment insurance reports on a quarterly basis (April 1, July 1, and October 1, January 1).
13. Effective Date and Termination. This Agreement will be effective as of execution and shall terminate no later than two years from that date.
14. Assignment by the Company. Should Southwest Pattern Works, Inc. move, sell, lease or transfer its ownership or operation duties in the Project before the expiration of this Agreement, the City retains the right to deny any and all assignments, sales, leases or transfers of any interest in the Project until adequate assurances are made that the transferee, assignee or lessee is a qualifying entity and that the terms of this Agreement shall be satisfied by the transferee, assignee or lessee. At its discretion, and in consultation with the State, the City may choose to deny said assignment, lease or transfer or may negotiate a new agreement with the new operator.
15. Miscellaneous. This Agreement binds and inures to the benefit of the City and Southwest Pattern Works, Inc. and their respective successors and permitted assigns. This Agreement, together with the Security Agreement and the Intergovernmental Agreement, represent the entire agreement of the parties on the subject hereof and superseded all prior agreements or understandings between the parties, whether written or verbal. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument.

16. Liability. No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Nothing herein shall operate or be deemed to alter or expand any liabilities or obligations under the applicable provisions of the New Mexico Tort Claims Act (NMSA 1978 §§ 41-4-1 *et seq.*, as amended), or to waive any immunities, limitations or required procedures thereunder. Nothing in this Agreement constitutes a waiver of any party's right to seek judicial relief.
17. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by recognized overnight delivery service, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown below. If notice is mailed, it will be deemed received on the earlier or actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. A party may change its notice address by written notice to the other party to this Agreement.

City of Albuquerque
Attn: Economic Development Dept. Director
One Civic Plaza NW
Albuquerque, NM 87109
Tel: (505) 768-3270
Email: synthiaj@cabq.gov

Southwest Pattern Works, Inc.
Attn: President
509 General Chennault SE
Albuquerque, NM 87108
Tel: (505) 237-9883
Email: john@swpatternworks.com

With a copy to:
City Attorney
P.O. Box 2248
Albuquerque, NM 87103
(Tel): 505-768-4500
Email: eaj@cabq.gov

18. Amendments. This Agreement shall not be altered, changed or amended, except by instrument in writing executed by all of the Parties hereto.
19. Governing Law. This Agreement shall be governed by the laws of the State of New Mexico.
20. Jurisdiction and Venue. Any legal proceeding arising out of the subject matter of this Contract, whether based in contract, tort, statute, other category of law or in equity, shall be brought before the Second Judicial District Court, Bernalillo County, State of New Mexico. Parties hereby agree that such court shall have jurisdiction over them and that venue shall be proper in such court.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the last date of signature below. The Parties agree that this Agreement may be electronically signed and that the electronic signatures appearing on the agreement are the same as handwritten signatures for the purposes of validity, enforceability, and admissibility.

CITY OF ALBUQUERQUE

COMPANY NAME

Name: Sarita Nair, JD, MCRP
Title: Chief Administrative Officer

Name: John Groth
Title: President

Date: _____

Date: _____

Approved by:

Synthia Jaramillo
Director, Dept. of Economic Development

Date: _____

Esteban A. Aguilar, Jr.
City Attorney

Date: _____

Exhibits

Exhibit A Application for LEDA Assistance

Exhibit B Wages and Benefits

Exhibit C Security Agreement

General Description

Southwest Pattern Works (“SWP”)

Relocating an established business into a vacant and neglected building in an economically stressed area of Albuquerque. The business provides good paying, skilled positions while developing and teaching employees job and life skills.

Site and Existing Conditions

Legal Description

509 General Chennault SE, Albuquerque, NM 87108

Parcel: 1-020-056-173-389-2-02-07

The property was formerly owned by Ashooh and Indu Kaushal for the past two years after remaining vacant for approximately ten years.

Prevailing Site Conditions

The above property had been purchased on August 3, 2020. Currently the property is being renovated to suit the needs of Southwest Patternworks. The property has not had an active business presence for about ten years.

Present Assessed Value

\$580,000

Present and Proposed Zoning

NR-C, Commercial, Non-Residential

Renewable Energy

Currently Southwest Pattern Works is obtaining quotes for photovoltaic solar panels that could cover 100% of our energy use depending on the final cost of the solar system.

Information Concerning Applicant

SWP has taken approximately a half-dozen compression molding composites jobs, including a \$265,000 production job from Stone Glacier manufacturing carbon fiber backpack components. The growth of the composites section of our business has caused Southwest Pattern Works to outgrow its current space. We are therefore looking to move Southwest Pattern Works into a new building with its own dedicated space, equipment and records. This expansion is justified by the production orders we have received and expect to receive, the space requirements of the basic capital equipment required and the increase in quality.

To effectively compete in the market, we will need a 15,000 square foot facility, with 6 – 12 employees, and approximately \$600,000 to \$800,000 in capital equipment. This represents the minimum viable business – there are

investments that we can make with additional capital, but going below this will force inefficiencies so severe that we limit growth to the point where SWP cannot be competitive.

Being unable to ramp up quickly could result in loss of revenue as well as job loss. It is important that any space we choose have the ability to expand as the business grows without limits – we are looking for a permanent solution that does not kick our current space problems down the road a year or two.

Tax Issues

The applicant is current with all personal, corporate and other tax liabilities to all applicable federal, state and local tax agencies.

Information Concerning Products and Process

Southwest Pattern Works is a mold and foundry tooling corporation that has been in business in Albuquerque, NM since 1994. Over the past several years Southwest Pattern Works has taken on an increasing number of composite-related jobs.

Southwest Pattern Works will focus primarily on carbon fiber forging and compression molding. Fiber forging forces a paste of chopped composite fibers and an epoxy binder into a metal mold under heat and pressure. This process can make composites with much lower material and labor costs compared to traditional layups. It can also make geometries that are un-manufacturable for other composite manufacturing methods. One downside of the fiber forging is that the matched metal tooling needed to produce parts is expensive. The other downside is a slightly reduced strength compare to traditional composite layups because you lose most of your control over the fiber orientation. However, fiber forging still produces a part that is much stronger and lighter than aluminum, which is the main material we are competing with.

Compression molding is a similar process, but involves laying up prepreg fabric sheets instead of a chopped fiber charge. It is better suited to mass production of more traditional composite parts. The market is very similar to fiber forging – compression molding can achieve a higher strength but cannot manufacture as many geometries. Both processes are well-suited for medium to large scale production of composite parts. SWPs business brings a unique product that is cutting edge which few in the state are doing. This attracts new business to the state.

Competition

The composites industry is growing at about 8% annually. Composite parts have evolved over the last several decades from a high-tech material used only in aerospace applications to a material that is accessible to everyday application. SWP intends to focus primarily on areas where mass-market

adoption is becoming possible with falling carbon prices, because customers in these segments are more likely to value the support and guidance we will provide.

We have identified sporting goods, marine, scientific, automotive, and aerospace as potential markets. We expect sporting goods to be the largest initial segment of our business. As the demand for high performance among elite athletes rises, they are continuously looking for ways to shave weight from their equipment. This results in composites being utilized in high-end sports equipment at a higher rate. Many sports applications are amenable to compression molding applications. Our largest production order is in this sector, manufacturing a quarter million dollars of carbon fiber stays that are used in high-end recreational and outdoors backpacks.

Composites can be made resilient to a saltwater environment much more easily than many metals can, making them attractive for marine, oil, and gas applications. We do not foresee these components as a large part of our core business at this time, but they are nevertheless a capability we will have if an opportunity arises.

Aerospace applications have historically been the largest consumer of carbon fiber composites. By moving into a new facility we will be able to manufacture aerospace-grade composite parts effectively. Compression molding is a viable option for a broad range of aerospace composites, especially as out-of-autoclave (OOA) processes have gained acceptance.

Scientific applications for carbon fiber are growing more rare. Additionally, scientific work often is heavy on prototyping with no possibility of production orders. We have a strong relationship with Sandia National Laboratories in Albuquerque, NM. Because we would be the only independent composites shop in Albuquerque, we would be well-positioned to take a large percentage of Sandia's composites work. Because there is no possibility of a follow-on production order, this work would generally be quoted higher. This sector is not the main focus of our core business.

Composite applications in the automotive industry are still in their infancy. While the overall market is huge, composites have only a small fraction of a percent of it, and the most common design change that automakers are using to save weight is still replacing steel with aluminum. However, a number of factors are combining to change this dynamic. Lawmakers are pushing towards ever higher fleet efficiencies, i.e. electric cars. The simplest way to increase fuel efficiency is to reduce vehicle weight. Finally, fiber forging is the ideal manufacturing technique for the automotive industry. Volumes are extremely high, offsetting the large cost of initial tooling, and the industry is extremely price-sensitive, meaning that the material and labor efficiencies of fiber-forging are necessary.

For large-scale manufacturing, our primary competitor is overseas markets. It's very challenging to compete with Southeast Asia and China on cost. Instead, we will focus on the benefits of having an American partner, including ease of communication, flexibility in terms, shipping options, Intellectual Properties protection, benefits of American-made branding, and high standards of quality assurance. Customers have historically recognized and accepted that this value exists and is sufficient to offset our higher price point. This is very evident by the number of companies we have worked with who have tried to manufacture goods overseas, have become frustrated by the challenges present there, and re-shored their products back to the United States.

We are also capable to work with the companies whose products are not at a stage where they can even consider overseas manufacture. During prototyping, we intend to structure deals to ensure we are positioned to secure the production jobs that follow. Production jobs are the goal – a single order can easily keep the entire shop running for months.

Other indirect competitors include companies deciding to move their composites production in-house. Companies that are willing to do this are not likely to be our target customer, because a willingness to do this implies a large existing body of knowledge about composites at that company. However, we will still be a competitive option for those companies considering this because we are set up to produce quality compression molded composites more easily. Part of this is due to our partnership with SWP, and part of this is due to the high capital costs providing a barrier to entry.

Effect on Existing Industry and Commerce during and after Construction

SWP expects the renovation of the building to be a phased project and plans to outsource to local contractors' interior demolition, upgraded electrical systems, the build out of offices and repainting of interior spaces. The building was selected due to the minimal renovation required in order to move in and resume manufacturing without any significant down time in manufacturing.

Since there are very few companies specializing in advanced composite structures in New Mexico, SWP's goal is to become the premier advanced composite structures manufacturer in Albuquerque as well as New Mexico.

Property Acquisition

The property has been purchased by the applicant with a 10% cash down payment and 90% financial through the SBA through Bank of the West. Closing on the property was completed on August 3, 2020.

Description of Proposed Development

The entire 15,000 sq/ft will be utilized by SWP.

Phase 1: 5000 sq/ft will immediately be used, new floors have been put in using Epoxy over concrete. Electrical runs to the whole building and the remaining 10,000 sq/ft will be utilized as offices, tool storage, as well as shipping and receiving space. A security system has also been installed. Heating and cooling in building are functional.

Phase 2: Building out additional office space. Ie Adding in walls, adding windows etc. Adding a Quality Control inspection area.

Infrastructure

This project will have no effect on infrastructure. Existing infrastructure is satisfactory and no changes are required.

Area Enhancement

The area will be enhanced in two areas, the first being property improvements and the other being improvement of the neighborhood. We have put a substantial amount of hours into the improvement of the building both outside and in as outlined in this document. This in turn makes the neighborhood look much more appealing.

In terms of improvement to the neighborhood we will be attracting sought after talent in the realm of composites manufacturing. This can come from out of state applicants or being able to retain the bright young talents we already have in this state. When there is a growth in business the whole area benefits.

Local Purchasing

SWP works with a variety of local businesses both for the buildout of our new location as well as for our day to day operations. A list of those can be found below:

- i. Marco steel - metal product
- ii. Rugby ILumber - wood products
- iii. Smooth-on Rubber - Plastic product
- iv. Port Plastic - Plastic products
- v. Tamasi & Assc. - Accounting
- vi. Industrial Commercial Coatings - Epoxy flooring
- vii. Prime electric - Machine shop wiring
- viii. C&C Demolition - Building Demo
- ix. Business Printing Services - Printing
- x. Crane Services - Machine movers
- xi. Brewer Oil - Machine lubrication
- xii. Kaehr Coating - Powder Coating and Anodizing
- xiii. Mariposa Marketing - Marketing
- xiv. Axis machine - machine repair

Water Conservation

SWP does not use water in its manufacturing process. Our water usage is generally used for personal uses such as bathrooms. Our last quarterly use of water was 3,200 gallons per month which is comparable to the average use per a residential home in Albuquerque.

Relocation of Individuals or Business

There will be no need for relocation of individuals or businesses associated with our move to a new facility.

Number and Types of Jobs Created

Currently SWP employs nine individuals. Our growth plan requires the creation of the following positions:

- Engineer: 1 position at a base salary of \$60,000 - \$80,000
- Composite Technicians: 2 positions with a base hourly rate of \$17.00 per hour
- Machinist: 1 position with a base hourly rate of \$17.00 per hour

Corporate Citizenship Policy/Plan

SWP is in the process of implementing a brand-new corporate Citizenship policy including Education reimbursement and job advancement training.

Positive Contributions

Over the next 5 years SWP will be striving to get to 100% renewable energy by utilizing Solar Power as well as other means.

Management

Mr. John Groth is a journeyman tool maker who completed a 10,000-hour internship in Milwaukee, WI before moving to Albuquerque and founding Southwest Pattern Works. He has since shepherded the company through 25 years of successful operations and had many employees go on to have successful careers outside SWP as well as alongside him.

Project Financing

Cost of Project, LEDA Funding Amount and Private Financing

<u>Item</u>	<u>Cost</u>	<u>SBA Loan</u>	<u>Personal</u>	<u>LEDA Request</u>
Building	\$ 580,000	\$ 520,000	\$ 60,000	\$ 0
Renovations	\$ 135,600	\$ 18,000	\$ 0	\$ 117,600
Equipment	\$ 55,000	\$ 0	\$ 0	\$ 55,000
TOTALS	\$ 770,600	\$ 538,000	\$ 60,000	\$ 172,600

LEDA 20-8: Southwest Pattern Works, Inc. Project

Estimated Value After Completion

SWP anticipates that once the property renovations and upgrades have been made the property will be more suitable to other manufacturing companies
Property - \$1,000,000

Construction Schedule

SWP commenced construction in September 2020. Move in to the new location commenced

LEDA COVID-19 Application

Applicant	Carley Hendren
Applicant ID	APP-013533
Company Name	Southwest Pattern Works, Inc.
Phone	(505) 237-9883
Email	carley@swpatternworks.com
Status	Submitted

Contact Information

Question: Legal Company Name

Southwest Pattern Works, Inc.

Question: Trade Name (dba)

Not Answered

Question: Project Name

Not Answered

Question: Company Street Address

200 Moon St. SE

Question: Company City

Albuquerque

Question: Company State

New Mexico

Question: Company Zip

87123

Question: Phone

(505) 237-9883

Question: Fax

Not Answered

Question: Primary Contact Person First Name

Carley

Question: Primary Contact Person Last Name

Hendren

Question: Federal Tax ID #

850452737

Question: NM State Tax and Revenue (CRS) #

02369224003

Question: City/County Business License #

Albuquerque, Bernalillo

Question: NAICS Code(s)

325211, 325220, 332710, 333511, 335991

Question: DUNS #

938122181

Question: This Business is organized as a:

- C-Corporation
- S-Corporation
- LLC
- Partnership
- Sole Proprietorship

Project Information

Please include detailed information such as:

• Executive Summary; Business description and history

Question: Description of the emergency situation that requires funding.

During the first few months of Covid potential clients are hesitant to award work which has made finding new projects difficult. Current clients are have also been hesitatnt to extend work. We have been luckily enough to push through and remain on track and retain our employees and are now in the process of expanding our composite side. This funding would help with that expansion as well as retain employees during the process.

Question: Provide a detailed scope of work that is specific to the funding request/award and what the funds will be used for.

Southwest Pattern Works is in the process of getting a loan through the SBA for a larger commercial building. This will give us more room for future clients as well as keeping contracts with Sandia and Los Alamos within Albuquerque. With the LEDA funds we intend to continue with our plans expand with modifications to the new building as well as hiring new employees.

Question: Supporting Documentation

No Attachments

Financial Information

Question: Provide financial statements (balance sheet, profit and loss and cash flow) or tax returns for the past three years.

[SWP2017 US.pdf](#) (7/21/2020 10:42 AM)

[Southwest Patternworks - 1120S - 2018.pdf](#) (7/21/2020 10:38 AM)

[Southwest Patternworks - 1120S - 2019.pdf](#) (7/21/2020 10:38 AM)

Question: What is the collateral/security to be pledged to the funds awarded?

- Security Interest/Lien
- Letter of Credit
- Mortgage Security
- Security Agreement/Escrow
- Security Agreement/Lien
- Security Interest/Equipment

✓ TBD

Question: What is the method of appraisal for stated security?

TBD

Question: What is the equity investment from the applicant?

\$0.00

Question: External Equity Investment Sources

NA

Question: External Equity Investment Amount

\$0.00

Question: Bank Loan Source (financial institution names), type (commercial, USDA, SBA 504, etc.), and stage (applied or approved)

SBA loan through Bank of the West.

Question: Bank Loans Amount Total

\$577,700.00

Question: Other Loans Source

Bank of the West Equipment loan

Question: Other Loans Amount

\$11,020.98

Question: Other Sources

Bank of the West LOC

Question: Other Sources Amount

\$7,916.01

Question: Total Loan Requested

\$100,000.00

Question: Requested Loan Duration (Months)

24.00

Company History and Background

Question: How long has the company been in operation, as of the date of application?

Southwest Pattern Works Inc opened in June 1994

Question: At the time of this application, how many full-time employees do you currently employ? Please provide the most recent Department of Workforce Solutions report below. If no employees, disregard report. Enter 0.

8.00

Question: List owners with more than 20% ownership stake in the company. Additionally, please list principal directors and/or officers.

John Groth Owner 100%

Question: Are owners and/or officers current with financial obligations/payments to the State of New Mexico or any other Federal or State entity? If no, please explain.

Yes

Question: Does the applicant have any loans or other financial obligations on which payments are not current?

No all payments current

Question: Please identify any financially affiliated/associated companies in which any of the applicant's owners have a 20% stake.

NA

Community Aspects

Question: What will be the impact to the community if you don't receive this loan?

Without this loan we would not be able to accomadate larger projects. Which would not only bring more money into New Mexico it would make us capable of hiring more Albuquerque residents.

Job Retention / Performance

Please download the job retention worksheet to work up the required information for this section.

- [Job Retention Worksheet](#)

Question: Outline the number and types of jobs to be retained.

If things go as planned we would like to Hire 1 new machinest in the next year starting at 35,360 a year DOE. We would also like to hire 1 may be 2 new shop tech per year the next 2 years starting at 25,000 a year DOE

Question: Outline the existing pay scale and payroll.

1 Owner -52,000 yearly
1 Production Lead - 45,760 yearly
1 Shop Tech - 27,040 yearly
1 Composite Tech - 35,360 yearly
2 Machinist - Yearly - 38,400
1 Office Administrator - 19,760 yearly
1 Engineer - 41,600

Question: Outline the benefits offered to the employees, including but not limited to health care and retirement.

Right now at this time we do not have benifits but are currently looking into different Healthcare options.

Question: Total number of Jobs to be retained for loan duration period.

11.00

Attachments

Please download the authorization for examination and release of information template and the example employer quarterly wage and contribution report.

- [Authorization for examination and release of information form](#)
- [Employer quarterly wage and contribution report example](#)

Please download the LEDA Application Affirmation Template here:

[LEDA Application Affirmation Template](#)

[Click here](#) to view a filled out sample.

Question: New Mexico Economic Development Department authorization for examination and release of information.

[Authorization for examination and release of information signed.pdf](#) (7/28/2020 10:59 AM)

Question: Latest New Mexico employer's quarterly wage and contribution report submitted to the Department of Workforce Solutions.

[NM_QTD-UI_Jan-Mar_2020.pdf](#) (7/24/2020 11:11 AM)

Question: Officer Application Affirmation Attestation

[2019 LEDA Application Affirmation.pdf](#) (7/24/2020 11:12 AM)



Michelle Lujan Grisham • Governor
Alicia J. Keyes • Cabinet Secretary

LEDA Loan Program

Purpose

In response to the Covid-19 pandemic and the negative impacts that it was having on the business community and the economy of New Mexico the State of New Mexico Economic Development Department has developed a short-term loan program within the State of New Mexico LEDA fund to allow for short term loans (up to two years) to help maintain and sustain jobs during this time of pandemic.

LEDA Loan Uses

In order to stay in compliance with the LEDA statute the proceeds from a LEDA loan can only be available to a qualified entity as established in the LEDA statute and must be used for land, building and infrastructure. The State of New Mexico understands that in this time of pandemic that new land acquisition, building purchases of expansions and new infrastructure are unlikely, therefore the State Economic Development Department will work with qualified entities under the LEDA statute in determining what costs associated with their operations can be qualified as land, building or infrastructure. In most cases we anticipate that this will be costs associated with mortgage and/or lease payments, but all costs will be evaluated.

Loan Rates and Requirements

The LEDA loan will be 0 % interest for up to 2 years. The State of New Mexico Economic Development Department will work with the qualifying entity to determine their base full-time headcount and monthly payroll to be utilized for the purpose of the loan agreement. This baseline will be used to ensure that the company is maintaining their payroll and full-time positions during the terms of the loan. There will be penalties for not maintaining those levels as part of the loan agreement. Those penalties are as follows:

1. If the qualified entities payroll falls below 90% of the monthly payroll interest rate will increase to 3% from inception
2. If the qualified entities payroll falls below 80% of the monthly payroll interest rate will increase to 6% from inception
3. If the qualified entities payroll falls below 70% of the monthly payroll the loan will immediately come due and payable.

As required for all LEDA projects these loans will require security equal to the total amount of the loan and will be held by the State of New Mexico Economic Development Department's

Joseph M. Montoya Building 1100 South Saint Francis Drive Santa Fe, NM 87505-4147

ated Fiscal Agent until the loan is satisfied.



Michelle Lujan Grisham • Governor
Alicia J. Keyes • Cabinet Secretary

Valued New Mexico Business,

Thank you for looking into this loan program especially designed to help New Mexico e-based businesses weather these uncertain economic times of the Covid-19 pandemic.

We strive to make the application process as user-friendly, efficient, and transparent as possible given the statutory parameters under which these funds are administrated.

Here is a quick summary explaining how the LEDA loan can be utilized and the process of applying for this loan:

LEDA is a fund administered by the New Mexico Economic Development Department; it is a discretionary fund that can be used to offset the costs associated with land, building, and infrastructure for economic based businesses. ***Economic based business is defined as a business that manufactures or a non-retail service provider that derives over 50% of their revenue from outside of New Mexico.*** This loan can also be used for lease abatement and mortgage assistance.

The process to determine your loan eligibility and the size of the loan is fairly simple and our team at EDD will work with you and gather the information necessary to make the determination. In essence, you will be asked to respond to the following:

- What do you do?
- How long has the company been in business?
- What is the company's NAICS Code?
- How many jobs will be saved by these funds?
- What is the anticipated payroll of these jobs?
- What was the company's 2019 annual revenues?
- What are the company's projected 2020 revenues?

After we gather this information, it will be summarized and given to the Cabinet Secretary and the Governor for review. Once they determine if we can support you, an amount of the loan will be established and we will open a formal application. This application is an online portal and can be completed entirely online. We will require a financial review (3 years) of the business as part of the formal application. Simultaneously, with the completion of the application, we will also work with the local fiscal agent (City or County) who will administer this loan.



Michelle Lujan Grisham • Governor
Alicia J. Keyes • Cabinet Secretary

The public process will include:

- Introduction of an Ordinance
- Public Hearing
- Approval of the Ordinance

Fiscal Agent may add additional committee hearings

Included in the ordinance will be 3 key documents:

Project Participation Agreement (PPA) – This is the contract between the company and the fiscal agent stating the amount and terms of the loan;

Intergovernmental Agreement (IGA) – This document mirrors the PPA and also lays out how the State of New Mexico will provide the funds to the fiscal agent and how we expect them to handle our money.

Security (Collateral) – We are statutorily bound to hold security equal to the amount of the loan. This can be a first lien on property, letter of credit, surety bond or other agreed upon security.

Thank you for your commitment to New Mexico.