



DATE: June 4, 2014

TO: Finance Committee, CBQL and EDRC SubCommittee Members

Via: Kate Noble, Acting Director, Housing and Community Development Department *KW*

FROM: Fabian Trujillo, Economic Development Division Director. *F.T.*

RE: SFBI Amended ED Project Ordinance and Restated Project Participation Agreement

Santa Fe Business Incubator Background:

The Santa Fe Business Incubator (SFBI) was founded in 1997 and is a non-profit corporation that provides incubation services for the City of Santa Fe. In 1997 the city entered into a project participation agreement with SFBI to construct and operate the current incubator building utilizing city, state, federal and commercial financing. This resulted in the construction of phase I of the incubator building.

In 2004, the City of Santa Fe, as the borrower, entered into a loan agreement with HUD utilizing section 108 HUD financing for \$300,000. The purposes of the loan were to provide funding to SFBI to construct the second phase of the incubator building and improve its facility on the property donated to it by the City. As part of the loan agreement, SFBI is the sub-recipient and the city is the borrower. The remaining balance on the loan is \$192,456.26. The HUD loan agreement permits the City to prepay the balance in full on August 1, 2014 with the funds wired before July 24, 2014. No later than June 1, 2014, the City needs to send HUD a letter indicating notice of intent of the Borrower to prepay off loan agreement (Required by HUD be done between 90 and 60 days prior to August 1, 2014). The City's past practice has been that the City makes the loan payments each year at the end of July to HUD in the approximate amount of \$29,192.50 and then SFBI reimburses the City the same amount or the City withholds the money from the City's annual operating contract with SFBI which is currently at \$200,000.

The Santa Fe Business Incubator has been a vital component of economic development in Santa Fe since their inception. SFBI has successfully grown companies and diversified Santa Fe's economy. Approximately thirty seven companies have graduated from the incubator program since 2006 and were still operating in Santa Fe as of 2011. As can be seen, SFBI is the foundation of Santa Fe's entrepreneurial eco-system.

Item and Issue:

SFBI has expressed that it has been financially difficult for it to make the loan reimbursement payments to the City for approximately the last three years due to the effects of the recession. Economic Development Staff reviewed SFBI's finances and the incubator is struggling to cover approximately \$99,186 annually for their operating costs. Currently, they are utilizing their financial reserves to cover the shortfall. City finance staff has also indicated that the structure of the loan with HUD is rigid and makes it difficult for the city to work with the incubator to structure terms that will make repayment easier on SFBI operations.

City staff also identified \$400,000 in funds sitting in escrow from the Monte Serreno development that was set aside as part of a consent/deed in *Tano Santa Fe Partners v City of Santa Fe*. According to the City Attorney's office, these escrowed funds cannot be used for anything else except for a crafts/incubator. The City Attorney's office has also advised that the City can use these escrowed funds to pay off the HUD loan for the SFBI.

Recommendation

Therefore, staff recommends that the city payoff the HUD loan early and enter into an amended project participation agreement with SFBI to support their operations and continue to do their work of assisting entrepreneurs with their start-up operations. Refinancing the loan will make it easier for City to support SFBI's mission and it will also allow the City to recapture funds from the Monte Serreno escrowed monies to be utilized for future economic development projects.

The terms that economic development staff and the incubator are recommending for approval would be as follows:

1. A twenty year loan with a 1% repayment plan with semi-annual payments of \$6,924.37.
2. No payments for the first five years.

This financial structure would allow SFBI and their board to work with the City, County, State and the private sector to develop business operations plan that identifies long term sources of funds to cover the annual operating shortfall and strengthen the financial viability of SFBI.

1 CITY OF SANTA FE, NEW MEXICO

2 BILL NO. 2014-19

3 INTRODUCED BY:

4
5 Councilor Signe Lindell

6 Mayor Javier Gonzales

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9
10 AN ORDINANCE

11 RELATING TO THE CITY OF SANTA FE ECONOMIC DEVELOPMENT PLAN
12 ORDINANCE, ARTICLE 11-11 SFCC 1987; AMENDING ORDINANCE NO. 1997-1 FOR
13 THE PURPOSE OF APPROVING AND ADOPTING A FIRST AMENDED AND RESTATED
14 LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT
15 BETWEEN THE CITY OF SANTA FE AND SANTA FE BUSINESS INCUBATOR, INC. TO
16 RESTRUCTURE AND ADD TO THE CONTRIBUTIONS AND OBLIGATIONS OF THE
17 CITY AND SANTA FE BUSINESS INCUBATOR, INC.

18
19 BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE.

20 Section 1. Short Title. This Ordinance shall be known as the "Santa Fe Business
21 Incubator Ordinance to restructure and add to the contributions and obligations of the City and Santa
22 Fe Business Incubator, Inc."

23 Section 2. Recitals.

24 A. The Local Economic Development Act, Sections 5-10-1 *et. seq.* NMSA 1978
25 explicitly permits municipalities to assist qualifying entities with economic development projects

1 through the use of public resources; and

2 B. The City of Santa Fe has complied with the requirements of the Local Economic
3 Development Act by adopting an Economic Development Plan Ordinance (11-11 SFCC (1987)).
4 Incorporated within that Ordinance are the City of Santa Fe's community economic development plan
5 and its economic development strategy for implementation.

6 C. On January 8, 1997, the governing body of the City of Santa Fe approved the
7 Economic Development Project Participation Agreement ("PPA") between the City of Santa Fe and
8 Santa Fe Business Incubator ("SFBI") whereby SFBI was designated as a "Qualifying Entity" to
9 receive funding from the City for the SFBI project that would support the City's economic
10 development plan.

11 D. On June 30, 2004, the City of Santa Fe, in furtherance of the 1997 PPA, entered into
12 a Loan Agreement with the Secretary of Housing and Urban Development (HUD/Lender) borrowing
13 \$300,000 for the purposes of providing funding to the Santa Fe Business Incubator (SFBI as Sub-
14 Recipient) to construct Phase II and improve its facility on property donated to it by the City
15 ("Loan"). Currently, the remaining balance on the Loan is \$192,491.29. The Loan permits the City
16 to prepay the balance in full on August 1, 2014 with the funds wired before July 24, 2014. No later
17 than June 1, 2014, the City needs to send HUD a letter indicating notice of intent of Borrower prepay
18 off Loan Agreement (needs to be done between 90 and 60 days prior to August 1, 2014).

19 E. The SFBI is part of the mission of the City's Economic Development Division
20 because the Economic Development Plan supports the creation and maintenance of business
21 incubators in the City to promote and assist startup businesses.

22 F. For this reason, the City would like to prepay the balance of the Loan Agreement on
23 August 1, 2014. The Economic Development Division has identified a source of funds, held in
24 escrow, and is requesting a legal opinion on whether the escrowed funds can be used for the purpose
25 of prepaying the HUD loan in full.

1 G. To accomplish the prepayment of the Loan, the City and SFBI have determined that
2 there is a need to enter into the First Amended and Restated Project Participation Agreement to
3 restructure and add contributions and obligations of the City and SFBI.

4 **Section 3. Findings.** The governing body hereby finds:

5 A. The City of Santa Fe has determined that it is in the interest of the welfare of the
6 citizens of Santa Fe to enter into the First Amended Economic Development Project Participation
7 Agreement for the purposes of effectuating its Economic Development Plan and the Project.

8 B. In compliance with the City's economic development ordinance, 11-11 SFCC (1987),
9 the January 8, 1997 Project Participation Agreement and the First Amended and Restated Project
10 Participation Agreement between SFBI and the City clearly state the following:

- 11 (1) The economic development goals of the project;
- 12 (2) The contributions of the City and SFBI, Inc.;
- 13 (3) The specific measurable objectives upon which the performance review will
14 be based;
- 15 (4) A schedule for project development and goal attainment;
- 16 (5) The security being offered for the City's investment;
- 17 (6) The procedures by which the Project may be terminated and the City's
18 investment recovered;
- 19 (7) The time period for which the City shall retain a security interest in the
20 Project; and
- 21 (8) A "sunset" clause after which the City shall relinquish interest in and
22 oversight of the project;
- 23 (9) The designation of SFBI as a qualifying entity.

24 **Section 4. Approval and Adoption of First Amended and Restated Project**
25 **Participation Agreement (PPA) between the City and Santa Fe Business Incubator, Inc.**

1 The governing body hereby approves the First Amended PPA which adds the City's financial
2 contribution of prepaying the Loan balance in full on August 1, 2014 with the funds wired before July
3 24, 2014. Loan is \$192,456.26. No later than June 1, 2014, the City shall send HUD a letter
4 indicating notice of intent of the City to prepay the Loan balance in full (needs to be done between 90
5 and 60 days prior to August 1, 2014). The First Amended PPA restructures the financial obligations
6 of Santa Fe Business Incubator and provides a repayment schedule for reimbursing the City for the
7 prepayment of the Loan balance. The First Amended and Restated Project Participation Agreement,
8 attached hereto as Exhibit "A", is hereby adopted.

9 **Section 5. Severability Clause.** If any section, paragraph, clause, or provision of this
10 Ordinance, or any section, paragraph, clause, or provision of any regulation promulgated hereunder
11 shall for any reason be held to be invalid, unlawful, or unenforceable, the invalidity, illegality, or
12 unenforceability of such section, paragraph, clause, or provision shall not affect the validity of the
13 remaining portions of this Ordinance or the regulation so challenged.

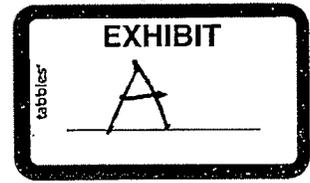
14 **Section 6. Effective Date.** This Ordinance shall become effective immediately upon
15 adoption.

16 APPROVED AS TO FORM:

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19 KELLEY A. BRENNAN, INTERIM CITY ATTORNEY

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25 *M/Melissa/2014 Bills/2014-19 Santa Fe Business Incubator 1st Amended PPA*



CITY OF SANTA FE

ECONOMIC DEVELOPMENT

FIRST AMENDED AND RESTATED PROJECT PARTICIPATION AGREEMENT

THIS PROJECT PARTICIPATION AGREEMENT is made and entered into this _____ day of _____, 2014 by and between the City of Santa Fe, hereinafter referred to as the "City"; and Santa Fe Business Incubator, hereinafter referred to as the "Qualifying Entity" (Q/E) or SFBI. This First Amended and Restated Project Participation Agreement ("PPA") supersedes and entirely replaces the Project Participation Agreement entered into between the Q/E and the City on January 8, 1997 which has been fulfilled by the Q/E and the City.

WHEREAS, the State of New Mexico has deemed it in the best interest of the citizens of New Mexico to enact the Local Economic Development Act (N.M. Stat. Ann. 5-10-1 et seq. (1978));

WHEREAS, the Local Economic Development Act explicitly permits municipalities to assist qualifying entities with economic development projects through the use of public resources;

WHEREAS, the City of Santa Fe has complied with the requirements of the Local Economic Development Act by adopting an economic development plan ordinance incorporating within that ordinance its community economic development plan (11-11 SFCC (1987)) called the Community Economic Development Plan and Economic Development Strategy for Implementation, dated May 21, 2008;

WHEREAS, the Q/E is paying off the following loan that was used to construct Phase II of the SFBI as follows. On June 30, 2004, the City (Borrower) entered into a Loan Agreement with the Secretary of Housing and Urban Development (HUD/Lender) borrowing \$300,000 for the purposes of providing funding to the SFBI (as Sub-Recipient) to construct Phase II and improve its facility on property donated to it by the City ("Loan");

WHEREAS, the remaining balance on the Loan is \$192,456.26. The Loan permits the City to prepay the balance in full on August 1, 2014 with the funds wired before July 24, 2014. No later than June 1, 2014, the City needs to send HUD a letter indicating notice of intent of Borrower to prepay off Loan Agreement (needs to be done between 90 and 60 days prior to August 1, 2014). The SFBI is part of the mission of the City's Economic Development Division because the Economic Development Plan supports the creation and maintenance of business incubators in the City to promote and assist startup businesses and entrepreneurs. For this reason, the City would like to prepay the balance of the Loan Agreement on August 1, 2014. The Economic Development Division has identified a source of funds, held in escrow, and is requesting a legal opinion on whether the escrowed funds can be used for the purpose of prepaying the HUD loan in full;

WHEREAS, the City of Santa Fe has complied with the requirement of its Local Economic Development Ordinance, 11-11.1 through 11-11.16, by adopting the Original PPA and this Amended PPA and Ordinance 2014 _____ which state the contributions and obligation of all parties in the economic development project. The Original PPA and Amended PPA clearly state the following:

- (1) The economic development goals of the project;
- (2) The contributions of the City and the Q/E;
- (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;
- (7) The time period for which the City shall retain an interest in the project;
- (8) That the SFBI is a qualifying entity; and
- (9) A "sunset" clause after which the City shall relinquish interest in and oversight of the Project.

WHEREAS, the City of Santa Fe has determined that it is in the interest of the welfare of the citizens of Santa Fe to enter into this First Amended and Restated PPA for the purposes of effectuating its economic development plan.

NOW THEREFORE, in consideration of the premises, the following and other good and valuable consideration the receipt of which is hereby acknowledged the undersigned parties hereby agree as follows.

1. **CONTRIBUTIONS AND OBLIGATIONS OF THE CITY AND THE Q/E.**

A. **Economic development goals of the project:** The mission of the Q/E is stated as follows: "In order to promote a diverse and balanced economy for Santa Fe, the incubator will develop emerging businesses to provide future income opportunities for Santa Feans. This Project implements the Community Economic Development Plan (CEDP) because it is a business incubator to provide support for companies which are starting up or have outgrown their home based operations. Business Incubators support the following CEDP goals:

- (1) Implementing comprehensive economic development policies that address both local and regional objectives;
- (2) Directing major economic development initiatives toward creating opportunities for local residents that result in the steady improvement in the standard of living;
- (3) Ensuring that the city's economic prosperity is shared equitably;
- (4) Fostering the region's economic development while preserving its unique and diverse quality of life;
- (5) Using sustainably the region's natural, financial, intellectual, technological and physical resources;

- (6) Diversifying the economic base of the City to support a vibrant and sustainable mix of jobs and opportunities.

B. Contributions of the City and the Q/E:

- (1) **Donation and Services of the City.** The City of Santa Fe shall prepay the Loan balance in full on August 1, 2014 with the funds wired before July 24, 2014. Loan is \$192,456.26. No later than June 1, 2014, the City shall send HUD a letter indicating notice of intent of the City to prepay the Loan balance in full (needs to be done between 60 and 90 days prior to August 1, 2014).

- (2) **Contribution of the Q/E.**

- (a) **Financial Investment:** The Q/E brings the following financial investment to the project: The Q/E has been in existence since 1997 and currently has over \$4,000,000 in assets.
- (b) **Business Formation:** The Q/E shall continue to operate the incubator in a manner that will facilitate the creation and start-up of companies in the industries outlined in the City's latest community economic development plan, implementation strategy or other strategic plan formally adopted by the City using best practices as outlined by the National Business Incubator Association. The Q/E will ensure that the incubator program will maintain a plan for the ongoing exit and graduation of client businesses. The plan will ensure that an average of 2.5 businesses per year will exit the incubator until the end of the term of the loan agreement. This average will be calculated over a rolling three year period.
- (c) **Expanded Tax Base:** Contributions to the City's tax base resulting from this project are enumerated in the *Economic Impact During 2011 of the Santa Fe Business Incubator* analysis, dated April 16, attached hereto as Exhibit "1". Tax revenues generated by this project for the City, including property tax, gross receipts tax and other revenues are estimated to generate approximately \$1.1 million annually.
- (d) **Other:**
 - (i) Q/E will pay back the Loan beginning 5 years from the effective date of the Agreement.
 - (ii) Q/E and the City have agreed to a 15 year loan repayment schedule in the amount of \$192,456.26, plus 1% interest for a total amount of \$207,731.04. See Exhibit "2", attached hereto.
 - (iii) Q/E in collaboration with the City will develop an five year plan of business operations. The business operation plan will outline how the QE will shore its operations to successfully provide incubator services for the City and region for the next life of the loan.

2. **PERFORMANCE REVIEW AND CRITERIA**

A. **Annual Review.** The Q/E will provide annual reports to the City and City Staff shall conduct an annual review of these reports. The annual reports shall clearly indicate how the Q/E has verified the revenue assumptions and other indices contained in the *Economic Impact During 2011 of the Santa Fe Business Incubator* analysis (see Exhibit "1"). The review shall determine whether the project is in compliance with the agreement and is substantially achieving the goals and objectives herein.

B. **Company Formation and Expanded Tax Base.** The annual review shall determine whether the Q/E has substantially achieved the company formation and expanded tax assumptions embodied in the *Economic Impact During 2011 of the Santa Fe Business Incubator* analysis, dated April 16, 2012, attached hereto as Exhibit "1" (2.5 business exists per year) . If, in the opinion of the City, these assumptions are not substantially met, the review shall determine whether the actual expanded tax based achieves a positive benefit-cost ratio, and shall form conclusions and make recommendations regarding continuing under this Agreement.

3. **SECURITY FOR CITY'S INVESTMENT**

The Promissory Note and Mortgage executed by the Q/E with repayment of the Loan over a 15 year schedule, attached as Exhibit "3" is the security is required.

4. **TERM**

This Agreement shall remain in force for 20 years from the execution date of the Agreement or until conditions of the Agreement are performed in full or to the satisfaction of the City. In the event that the Q/E performs or exceeds the required performance levels contained in this Agreement, this agreement may be terminated at that time.

5. **TERMINATION**

This Agreement may be terminated by the City upon written notice delivered to the Q/E at least 45 days prior to the intended date of termination in the event that the Q/E ceases to operate the project in accordance with the terms of this Agreement. If the Q/E is found to not be in substantial compliance with the Agreement, the City reserves the right to terminate the Agreement and recall public funding that was used for prepayment of the Loan in full.

The Q/E may terminate the agreement by pre-paying the loan balance in full to the City without penalty. The Q/E must send a letter to the City giving notice of their intent to pre-pay the balance of the loan in full within 60-90 days prior to the due date of the loan payment.

6. **STATUS OF THE Q/E**

The Q/E, and its agents and employees are not employees of the City. The Q/E, and its agents and employees, shall not accrue leave, retirement, insurance, bonding, use of City vehicles or any other benefits afforded to employees of the City as a result of this Agreement.

7. **ASSIGNMENT**

The Q/E shall not assign or transfer any interest in this Agreement or assign any claims for money due or to become due under this Agreement without the prior written approval of the City.

8. **LIABILITY**

It is expressly understood and agreed by and between Q/E and the City that Q/E shall defend, indemnify and hold harmless the City for all losses, damages, claims or judgments on account of any suit, judgment, execution, claims, actions or demands whatsoever resulting from Q/E's actions or inactions as a result of this Agreement. Q/E shall maintain adequate insurance in at least the aggregate maximum amounts which the City could be liable consistent with the provisions of the New Mexico Tort Claims Act. It is the sole responsibility of the Q/E to be in compliance with the law.

9. **INSURANCE**

A. The Contractor, at its own cost and expense, shall carry and maintain in full force and effect during the term of this Agreement, comprehensive general liability insurance covering bodily injury and property damage liability, in a form and with an insurance company acceptable to the City, with limits of coverage in the maximum amount which the City could be held liable under the New Mexico Tort Claims Act for each person injured and for each accident resulting in damage to property. Such insurance shall provide that the City is named as an additional insured and that the City will be notified within 10 days of cancellation for any reason. The Contractor shall furnish the City with a copy of a "Certificate of Insurance" as a condition prior to performing services under this Agreement.

B. Contractor shall also obtain and maintain Workers' Compensation insurance, required by law, to provide coverage for Contractor's employees throughout the term of this Agreement. Contractor shall provide the City with evidence of its compliance with such requirement.

C. Contractor shall maintain professional liability insurance throughout the term of this Agreement providing a minimum coverage of one million dollars (\$1,000,000) per occurrence. The Contractor shall furnish the City with Proof of Insurance as a condition prior to performing services under this Agreement.

10. **NEW MEXICO TORT CLAIMS ACT**

Any liability incurred by the City of Santa Fe in connection with this Agreement is subject to the immunities and limitations of the New Mexico Tort Claims Act, Section 41-4-1, et. seq. NMSA 1978, as amended. The City and its “public employees” as defined in the New Mexico Tort Claims Act, do not waive sovereign immunity, do not waive any defense and do not waive any limitation of liability pursuant to law. No provision in this Agreement modifies or waives any provision of the New Mexico Tort Claims Act.

11. **THIRD PARTY BENEFICIARIES**

By entering into this Agreement the parties do not intend to create any right, title or interest in or for the benefit of any person other than the City and the Q/E. No person shall claim any right, title or interest under this Agreement or seek to enforce this Agreement as a third party beneficiary of this Agreement.

12. **RECORDS AND AUDITS**

The Q/E shall maintain detailed time records which indicate the date and nature of services rendered. These records shall be subject to inspection by the City, the Department of Finance and Administration and the State Auditor. The City shall have the right to audit billings both before and after payment; payments under this Agreement shall not foreclose the right of the City to recover excessive illegal payments.

13. **APPROPRIATIONS**

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Department of Finance and Administration on behalf of the Q/E to the City for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Department of Finance and Administration on behalf of the Q/E to the City, this Agreement shall terminate upon written notice being given by the City to the Q/E.

14. **RELEASE**

The Q/E, upon final fulfillment of this Agreement, releases the City, its officers and employees, from all liabilities, claims and obligations whatsoever arising from or under this Agreement. The Q/E agrees not to purport to bind the City to any obligation not assumed herein by the City unless the Q/E has express written authority to do so, and then only within the strict limits of that authority.

15. **CONFIDENTIALITY**

Any confidential information provided to or developed by the Q/E in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Q/E without the prior written approval of the City.

16. **CONFLICT OF INTEREST**

The Q/E warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance or services required under this Agreement.

17. **AMENDMENT**

This Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto.

18. **SCOPE OF AGREEMENT**

This Agreement incorporates all the agreements, covenants, and understanding between the parties hereto concerning the subject matter hereof, and all such covenants, agreements, or understandings have been merged into this written Agreement. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in the Agreement.

19. **REPRESENTATIONS AND WARRANTIES**

The Q/E hereby warrants the Q/E is and will remain in compliance with the Americans with Disabilities Act, 29 CFR 1630.

20. **APPLICABLE LAW**

This Agreement shall be governed by the ordinances of the City of Santa Fe and the laws of the State of New Mexico.

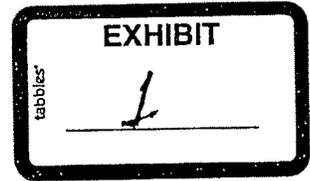
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CITY OF SANTA FE:

Javier M. Gonzales, Mayor

ATTEST:

Yolanda Y. Vigil, City Clerk



The Economic Impact During 2011 of the Santa Fe Business Incubator

April 16, 2012

Prepared for:
Santa Fe Business Incubator
3900 Paseo del Sol
Santa Fe, NM 87507

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ImpactDataSource

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EXECUTIVE SUMMARY

The purpose of the analysis was to estimate the annual economic impact during 2011 of the Santa Fe Business Incubator -- one of six certified business incubators in New Mexico.

The economic impact of (1) the operations of the incubator was projected, along with (2) the impact of the firms assisted by the incubator, once they graduated from the incubator and became self-supporting companies.

About the Incubator

The Santa Fe Business Incubator, founded in December, 1997, is a non-profit corporation that helps entrepreneurs grow and succeed in their business. The 30,000 square foot facility offers office and production spaces for technical firms, service companies and manufacturing businesses.

The incubator provides a wide range of business services including on-site technical assistance, training workshops, shared equipment, community resources and access to capital.

Over the past five years, the incubator received \$4.4 million in funding for their operations.

Tenants

During 2011, 16 tenants were assisted by the incubator. In addition, during the year, tenants reported funding of \$18.7 million, including equity injections, revenues, grants and contracts, and research and development grants and contracts.

Graduates Over the Past Five Years

Forty-five firms graduated from the incubator over the past five years. An estimated 78% of these companies are still operating.

Types of Economic Impacts Generated by Tenants and Graduates

Incubator tenants and companies graduating from the incubator generate economic impacts, including jobs, salaries and business revenues.

Further, there are three types of economic impacts of tenants and graduates -- direct, indirect and induced -- and regional economic multipliers were used to determine indirect and induced impacts.

Economic Impact During 2011 of Tenants and Graduates of the Incubator

Some of the estimated economic impacts that the incubator generated for New Mexico during 2011 are shown below.

Economic Impact During 2011 of Tenants and Graduates of the Incubator			
	Tenants	Graduates	Total
Number of direct businesses operating during the year as a result of incubator activities	16	37	53
Annual revenues generated by businesses (increase in gross state product):			
Direct	\$6,336,000	\$20,350,000	\$26,686,000
Indirect and induced	\$3,390,394	\$10,889,285	\$14,279,679
Total	\$9,726,394	\$31,239,285	\$40,965,679
Jobs created and supported by businesses:			
Direct	80	185	265
Indirect and induced	53	122	175
Total	133	307	440
Annual salaries paid to workers:			
Direct	\$2,960,000	\$11,100,000	\$14,060,000
Indirect and induced	\$1,443,000	\$5,411,250	\$6,854,250
Total	\$4,403,000	\$16,511,250	\$20,914,250
Property added to tax rolls	\$6,800,000	\$15,725,000	\$22,525,000
Annual taxable gross receipts generated on:			
Revenues of direct, indirect and induced businesses	\$7,294,795	\$23,429,464	\$30,724,259
Taxable spending by direct, indirect and induced workers	\$1,761,200	\$6,604,500	\$8,365,700
Taxable spending by businesses	\$800,000	\$2,839,935	\$3,639,935
Total gross receipts	\$9,855,995	\$32,873,899	\$42,729,894

Revenues Generated During 2011 for the State and Local Taxing Districts by Tenants and Graduates of the Incubator

Economic impacts generated by incubator tenants and graduates translate into revenues for the State and local taxing districts. These estimated revenues for 2011 are shown on the following page.

Estimated Revenues Generated during 2011 for the State and Local Taxing Districts by the Incubator Tenants and Graduates				
	State	Local Taxing Districts	Total	
Gross receipts taxes	\$1,209,790	\$1,113,648	\$2,323,438	\$0
Property taxes	\$10,124	\$329,204	\$339,328	\$0
State income taxes				
Corporate	\$131,090		\$131,090	#REF!
Personal	\$494,099		\$494,099	\$0
Total	\$1,845,104	\$1,442,852	\$3,287,955	

Return on the State's Investment in the incubator

State Funding for the New Mexico Business Incubator Program During Fiscal Years 2007-2010

During fiscal years 2007-2010, the New Mexico Economic Development Department provided \$639,500 in funding for the New Mexico Business Incubator Program, including \$25,000 for the Santa Fe Business Incubator.

Rate of Return on Investment Over Four Years

These funds may be considered a state investment in the state's economic growth and the returns on that investment are the additional revenues that the incubator tenants and graduates and their workers generate for the State and local taxing districts, including cities, counties, school districts and special taxing districts.

If this is the case, a rate of return on investment may be calculated on this investment. The average annual rate of return on investment on the State's funding for the Santa Fe Business Incubator is shown on the next page.

Estimated Revenues Generated Over a Four-Year Period for the State and Local Taxing Districts by Incubator Tenants and Graduates	
The state's total investment in the Santa Fe Business Incubator over four years	\$25,000
Taxes to be received from tenants and graduates over four years:	
By the state of New Mexico	\$7,380,414
By the local taxing districts	\$5,771,407
Total	\$13,151,821
Rate of return on investment:	
For the state only	29522%
For the state and local taxing districts	52607%
Cost-benefit ratio for the state funding compared to additional returns for the state	1 to 295.22

As shown above, for every dollar of funding that the state provided to the Santa Fe Business Incubator over four years, tenants and graduates of the program may return \$295.22 to the state during a four year period.

Details of this economic impact analysis are on the following pages.

The Economic Impact During 2011 of the Santa Fe Business Incubator

INTRODUCTION

This report presents the results of an analysis performed by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm. The purpose of the analysis was to estimate the economic impact during 2011 of the Santa Fe Business Incubator.

The economic impact of (1) the operations of the incubator was projected, along with (2) the impact of the firms assisted by the incubator, once they graduated from the incubator and became self-supporting companies.

This report includes the following components:

- Description of the incubator,
- Funding received by the incubator for their operations,
- Tenants funding and annual operations,
- Graduates' operations,
- Types of economic impacts that the incubator and its graduates provide and multipliers used in this analysis,
- Economic impact during 2011 of tenants and graduates of incubator,
- Revenues generated during 2011 for the state and local taxing districts by tenants and graduates of incubator,
- Rate of return on the state's investment in the incubator program, and
- Conduct of this analysis.

DESCRIPTION OF SANTA FE BUSINESS INCUBATOR

The Santa Fe Business Incubator, founded in December, 1997, is a non-profit corporation that helps entrepreneurs grow and succeed in their business. The 30,000 square foot facility offers office and production spaces for technical firms, service companies and manufacturing businesses.

The incubator provides a wide range of business services including on-site technical assistance, training workshops, shared equipment, community resources and access to capital.

In 2011 the facility had 16 tenants and over the past five years has had 45 graduates.

Funding that the incubator received for their operations and construction is discussed next.

FUNDING RECEIVED BY THE INCUBATOR FOR ITS OPERATIONS AND CONSTRUCTION

The incubator received the following funding over the past five years -- 2006 - 2011:

Funding Received by the Incubator for Construction and Operations over the Past Five Years				
	Funding Received			Types of Funding
	Total	For Operations	For Construction	
Santa Fe Business Incubator	\$4,420,400	\$3,746,400	\$674,000	Funding for construction and other external funding

An estimated 55% of the \$3.7 million in funding for the operations of the Santa Fe Business Incubator, shown above, is internally generated. The remaining 45% is funded from external sources.

Funding received by tenants during 2011 and some information on their operations are discussed next.

TENANTS' FUNDING AND ANNUAL OPERATIONS

Funding Received by Tenants during 2011

Tenants at the incubator received the following funding during 2011:

Funding Received by Tenants During 2011	
Equity capital	\$10,924,000
Sales revenues	\$7,527,000
Grants and contracts	\$0
Research and development grants and contracts	\$250,000
Debt financing	
Total	\$18,701,000

Characteristics of Tenants' Operations

Average tenants at the incubator in 2011 had the following characteristics:

Characteristics of an Incubator Tenant in 2011	
Annual revenues	\$396,000
Property added to local tax rolls:	
Real property improvements	\$250,000
Business personal property	\$175,000
Number of employees	5
Average annual salaries	\$37,000
Estimated annual local purchases of supplies, materials and services	\$50,000

Total Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases

Total Revenues for Tenants

Total revenues, property added to tax rolls, jobs, salaries and local purchases for tenants at the incubator in 2011 are shown below.

Tenants' Total Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases in 2011	
Annual revenues	\$6,336,000
Property added to local tax rolls:	
Real property improvements	\$4,000,000
Business personal property	\$2,800,000
Number of employees	80
Annual salaries	\$2,960,000
Estimated annual local purchases of supplies, materials and services	\$800,000

Some information on graduates of the incubator is presented next.

GRADUATES' OPERATIONS

Number of Graduates over the Past Five Years

The following number of firms graduated from the incubator over the past five years:

Number of Graduating Firms Over the Past Five Years	
Agriculture	
Construction	
Manufacturing	3
Utilities and/or Energy	1
Retail Trade	5
Information	1
Information Technology	4
Financial Activities	3
Prof. & Business Service	11
Health Care & Social Assistance	1
Leisure	1
Technology	6
R&D	5
Non-Profits	2
Non-Profits Services Providers	2
Total	45

Number of Graduates over the Past Five Years Still Operating in 2011

An estimated 78% of companies graduating from the Santa Fe Business Incubator were still be in business during 2011.

If this is the case, the following estimated number of graduate companies (over the past five years) were still operating in 2011:

Estimated Number of Graduating Firms Over the Past Five Years Still Operating in 2011	
Agriculture	0
Construction	0
Manufacturing	2
Utilities and/or Energy	1
Retail Trade	4
Information	1
Information Technology	3
Financial Activities	2
Prof. & Business Service	9
Health Care & Social Assistance	1
Leisure	1
Technology	5
R&D	4
Non-Profits	2
Non-Profits Services Providers	2
Total	37

Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Purchases

Annual Averages for Graduates

Average revenues, property added to tax rolls, jobs, salaries and local purchases in 2011 for graduates of the incubator are shown below.

Graduates' Average Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Annual Purchases	
Number of graduates	45
Average annual revenues	\$550,000
Property added to local tax rolls:	
Real property improvements	\$250,000
Business personal property	\$175,000
Number of employees	5
Average annual salaries	\$60,000
Estimated annual local purchases of supplies, materials and services	\$50,000

Annual Totals for Graduates Still Operating

Estimated total annual revenues, property added to tax rolls, jobs and salaries for all graduates still operating are shown below.

Graduates' Average Annual Revenues, Property Added to Tax Rolls, Jobs, Salaries and Local Annual Purchases		
	Average	Total
Number of operating graduates		37
Annual revenues	\$550,000	\$20,350,000
Property added to local tax rolls:		
Real property improvements	\$250,000	\$9,250,000
Business personal property	\$175,000	\$6,475,000
Number of employees	5	185
Annual salaries	\$60,000	\$11,100,000
Estimated annual local purchases of supplies, materials and services	\$50,000	\$1,850,000

The types of economic impacts generated by tenants and graduates of the incubator are discussed next, along with regional economic multipliers used in this analysis.

TYPES OF ECONOMIC IMPACTS THAT THE INCUBATOR AND ITS GRADUATES PROVIDE AND MULTIPLIERS USED IN THIS ANALYSIS

Types of Economic Impacts

Incubator tenants and companies graduating from the incubator generate economic impacts, including jobs, salaries and business revenues.

Further, there are three types of economic impacts: direct, indirect and induced.

First, direct economic impacts are those that are generated directly by tenants in the incubator and by firms after they graduate.

Second, indirect revenues, jobs and salaries are created in new or existing firms in the state, such as maintenance companies, distributors, and service firms, that may supply goods and services to the tenants and graduate firms.

Third, induced revenues, jobs and salaries are created in new or existing businesses in the state, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to employees of the tenants and graduate firms and their families.

New revenues of direct, indirect and induced firms increase New Mexico's gross state product -- a measure of the economic output of the state in a year. It is the sum of all values added by industries within the state and serves as a state-equivalent to the national gross domestic product or GDP.

Regional Economic Multipliers

To estimate the indirect and induced economic impact of the business incubator on the state, regional economic multipliers were used. Regional economic multipliers for New Mexico are included in the US Department of Commerce's Regional Input-Output Modeling System (RIMS II).

Three types of regional economic multipliers were used in this analysis: an output multiplier, an employment multiplier and an earnings multiplier.

An output multiplier was used to estimate the indirect and induced output or revenues created and supported in the state. An employment multiplier was used to estimate the number of indirect and induced jobs created and supported in the state. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs.

The multipliers show the estimated indirect and induced revenues of other companies in the state for every dollar of revenues generated by tenants and graduates. An employment multiplier shows the number of indirect and induced jobs created for every direct job at the tenants and graduates and the amount of salaries paid to these workers for every dollar paid to a direct worker at the facilities. The indirect and induced multipliers shown on the following page were used in this analysis:

Regional Economic Multipliers Used in this Analysis		
	Total	Indirect and Induced
Output multiplier	1.5351	0.5351
Employment multiplier	1.6597	0.6597
Earnings multiplier	1.4875	0.4875

The above multipliers are averages for several industry groups in which tenants and graduates operate.

Some of the estimated economic impacts that the incubator generated for New Mexico during 2011 are presented next.

ECONOMIC IMPACT DURING 2011 OF TENANTS AND GRADUATES OF THE INCUBATOR

Some of the estimated economic impacts that the incubator generated for New Mexico during 2011 are shown below.

Economic Impact During 2011 of Tenants and Graduates of the Incubator			
	Tenants	Graduates	Total
Number of direct businesses operating during the year as a result of incubator activities	16	37	53
Annual revenues generated by businesses (increase in gross state product):			
Direct	\$6,336,000	\$20,350,000	\$26,686,000
Indirect and induced	\$3,390,394	\$10,889,285	\$14,279,679
Total	\$9,726,394	\$31,239,285	\$40,965,679
Jobs created and supported by businesses			
Direct	80	185	265
Indirect and induced	53	122	175
Total	133	307	440
Annual salaries to workers:			
Direct	\$2,960,000	\$11,100,000	\$14,060,000
Indirect and induced	\$1,443,000	\$5,411,250	\$6,854,250
Total	\$4,403,000	\$16,511,250	\$20,914,250
Property added to tax rolls	\$6,800,000	\$15,725,000	\$22,525,000
Annual taxable gross receipts generated on:			
Revenues of direct, indirect and induced businesses	\$7,294,795	\$23,429,464	\$30,724,259
Taxable spending direct, indirect and induced workers	\$1,761,200	\$6,604,500	\$8,365,700
Taxable spending by businesses	\$800,000	\$2,839,935	\$3,639,935
Total gross receipts	\$9,855,995	\$32,873,899	\$42,729,894

Estimates of revenues generated during 2011 by the incubator tenants and graduates for the state and local taxing districts are presented next.

REVENUES GENERATED DURING 2011 FOR THE STATE AND LOCAL TAXING DISTRICTS BY TENANTS AND GRADUATES OF THE INCUBATOR

Some Tax and Other Rates Used in this Analysis

Some tax and other rates used in this analysis are shown below:

Some Tax and Other Rates Used in this Analysis	
Gross receipts tax rates:	
Percentage retained by the state after distribution to cities	3.775%
Average local rate with state distribution	3.475%
Property tax rates:	
State debt service	1.362
Average combined local rate	44.288
Estimated effective state income tax rate for these companies:	
Corporate	4%
Personal	3.15%
Estimated percent of the gross salaries a typical worker spent on taxable goods and services	40%
Estimated percent of business revenues subject to gross receipts tax	75%
Estimated percent of business revenues subject to state corporate income taxes	8%
Workers' estimated adjusted gross or taxable income as a percent of salaries	75%
Taxable value of property as a percent of assessed value	33%

Revenues during 2011 for the State of New Mexico and Local Taxing Districts

Economic impacts generated by incubator tenants and graduates translate into revenues for the State and local taxing districts. These estimated revenues for 2011 are shown on the following page.

Estimated Revenues Generated during 2011 for State and Local Taxing Districts by Incubator Tenants and Graduates			
	State	Local Taxing Districts	Total
Gross receipts taxes	\$1,209,790	\$1,113,648	\$2,323,438
Property taxes	\$10,124	\$329,204	\$339,328
State income taxes:			
Corporate	\$131,090		\$131,090
Personal	\$494,099		\$494,099
Total	\$1,845,104	\$1,442,852	\$3,287,955

A discussion of the rate of return on the state's investment in the incubator is next.

RETURN ON THE STATE'S INVESTMENT IN THE INCUBATOR

State Funding from the New Mexico Business Incubator Program During Fiscal Years 2007-2010

During fiscal years 2007-2010, the New Mexico Economic Development Department provided the following funding for the New Mexico Business Incubator Program:

State Funding Provided for the New Mexico Incubator Program During Fiscal Years 2007-2010				
Year	Capital Outlay	Special Appropriation	Recurring Special (EDD Budget)	Total
2007	\$395,000			\$395,000
2008		\$110,000		\$110,000
2009			\$104,500	\$104,500
2010			\$30,000	\$30,000
Total	\$395,000	\$110,000	\$134,500	\$639,500

Of this amount, the Santa Fe Business Incubator received \$25,000.

These funds may be considered a state investment in the state's economic growth and the returns on that investment are the additional revenues that the incubator tenants and graduates and their workers generated or may generate for the State and local taxing districts, including cities, counties,

school districts and special taxing districts.

If this is the case, a rate of return on investment may be calculated on this investment.

State and Local Revenues Generated by Incubator Tenants and Graduates over a Four-Year Period

Using estimated revenues generated by the incubator tenants and graduates during 2011 to estimate revenues over a four year period -- a period of time for which state funding was provided -- estimated revenues over four years for the state and local taxing districts are shown below.

Estimated Revenues to be Generated Over a Four-Year Period for the State and Local Taxing Districts by Incubator Tenants and Graduates			
	State	Local Taxing Districts	Total
Gross receipts taxes	\$4,839,160	\$4,454,591	\$9,293,752
Property taxes	\$40,496	\$1,316,815	\$1,357,311
State income taxes:			
Corporate	\$524,361		\$524,361
Personal	\$1,976,397		\$1,976,397
Total	\$7,380,414	\$5,771,407	\$13,151,821

Rate of Return on Investment on the State's Investment in the Business Incubator Program

As stated before, if (1) the state's funding for the Santa Fe Business Incubator is considered a state investment in the state's economic growth and (2) the returns on that investment are the additional revenues that the incubator tenants and graduates and their workers generate or may generate for the State and local taxing districts, including cities, counties, school districts and special taxing districts, then this four year investment will have the rate of return over four years of the operations of incubator tenants and graduates as shown on the following page.

Estimated Revenues Generated Over a Four-Year Period for the State and Local Taxing Districts by Incubator Tenants and Graduates	
The state's total investment in Santa Fe Business Incubator Program over four years	\$25,000
Taxes to be received from tenants and graduates over four years:	
By the state of New Mexico	\$7,380,414
By the local taxing districts	\$5,771,407
Total	\$13,151,821
Rate of return on investment:	
For the state only	29522%
For the state and local taxing districts	52607%
Cost benefit ratio for the state funding compared to additional returns for the state	1 to 295.22

As shown above, for every dollar of funding that the state provided to the Santa Fe Business Incubator over four years, tenants and graduates of the program may return \$295.22 to the state during a four year period.

A discussion of the conduct of this analysis is next.

CONDUCT OF THIS ANALYSIS

This analysis was conducted by Impact DataSource, an Austin, Texas economic consulting, research and analysis firm.

The Santa Fe Business Incubator provided information on data sheets provided by Impact DataSource on the operations of its facility and on current tenants and graduates of the incubator over the past five years.

Using this data, as well as some estimates, assumptions and regional economic multipliers, Impact DataSource estimated the economic impact during 2011 of tenants and graduates.

From these estimated 2011 economic impacts, Impact DataSource estimated revenues that the tenants and graduates of the incubator generated for the State of New Mexico and local taxing districts in 2011.

Impact DataSource is an 18-year old firm specializing in economic and fiscal impact analysis. The firm has conducted over 2,500 economic impact analyses of projects in 26 states, included New Mexico. Overall, the firm has conducted economic impact analyses of over 200 projects in New Mexico for the New Mexico Economic Development for over the past twelve years. The firm's other clients in New

Mexico include the City of Santa Fe, Otero County, Lea County and others.

The firm's Principal, Jerry Walker, performed this economic impact analysis. He is an economist and has Bachelor of Science and Master of Business Administration degrees in accounting and economics from Nicholls State University, Thibodaux, Louisiana.

[Faint, illegible handwritten text]

SFBI LOAN REPAYMENT SCHEDULE

189,000.00 8/1/14 par due - to be paid 7/23/14
 5,367.15 8/1/14 interest due - to be paid 7/23/14
 194,367.15 8/1/14 Balance Due HUD on 7/23/14

-1,910.89 Cash in HUD Repayment Account
192,456.26 Cash Bal City to refinance

SFBI LOAN REPAYMENT SCHEDULE

PAR AMOUNT 192,456.26

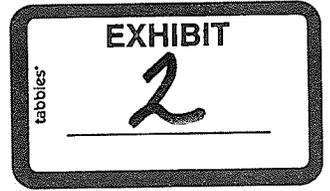
INT RATE 1.00% annual

TERM 20 years payments starting in year 6 (5 years w/out payment)

LEVEL

SEMI-ANNUAL

NO.	FY	DATE	PRINCIPLE	INTEREST	TOTAL PAYMENT	OPENING PRINCIPLE BALANCE	Closing PRINCIPLE BALANCE
	FY 14-15	10/01/2014	\$0.00	\$0.00	\$0.00		
1	FY 14-15	04/01/2015	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 15-16	10/01/2015	\$0.00	\$0.00	\$0.00		
2	FY 15-16	04/01/2016	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 16-17	10/01/2016	\$0.00	\$0.00	\$0.00		
3	FY 16-17	04/01/2017	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 17-18	10/01/2017	\$0.00	\$0.00	\$0.00		
4	FY 17-18	04/01/2018	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 18-19	10/01/2018	\$0.00	\$0.00	\$0.00		
5	FY 18-19	04/01/2019	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 19-20	10/01/2019	\$5,962.09	\$962.28	\$6,924.37	\$192,456.26	\$186,494.17
6	FY 19-20	04/01/2020	\$5,991.90	\$932.47	\$6,924.37	\$186,494.17	\$180,502.28
	FY 20-21	10/01/2021	\$6,021.86	\$902.51	\$6,924.37	\$180,502.28	\$174,480.42
7	FY 20-21	04/01/2022	\$6,051.97	\$872.40	\$6,924.37	\$174,480.42	\$168,428.45
	FY 21-22	10/01/2022	\$6,082.23	\$842.14	\$6,924.37	\$168,428.45	\$162,346.23



NO.	FY	DATE	PRINCIPLE	INTEREST	TOTAL PAYMENT	OPENING		Closing	
						PRINCIPLE BALANCE	BALANCE	PRINCIPLE BALANCE	BALANCE
8	FY 21-22	04/01/2023	\$6,112.64	\$811.73	\$6,924.37	\$162,346.23	\$156,233.59		
	FY 22-23	10/01/2023	\$6,143.20	\$781.17	\$6,924.37	\$156,233.59	\$150,090.39		
9	FY 22-23	04/01/2024	\$6,173.92	\$750.45	\$6,924.37	\$150,090.39	\$143,916.47		
	FY 23-24	10/01/2024	\$6,204.79	\$719.58	\$6,924.37	\$143,916.47	\$137,711.69		
10	FY 23-24	04/01/2025	\$6,235.81	\$688.56	\$6,924.37	\$137,711.69	\$131,475.88		
	FY 24-25	10/01/2025	\$6,266.99	\$657.38	\$6,924.37	\$131,475.88	\$125,208.89		
11	FY 24-25	04/01/2026	\$6,298.32	\$626.04	\$6,924.37	\$125,208.89	\$118,910.57		
	FY 25-26	10/01/2026	\$6,329.82	\$594.55	\$6,924.37	\$118,910.57	\$112,580.75		
12	FY 25-26	04/01/2027	\$6,361.46	\$562.90	\$6,924.37	\$112,580.75	\$106,219.29		
	FY 26-27	10/01/2027	\$6,393.27	\$531.10	\$6,924.37	\$106,219.29	\$99,826.02		
13	FY 26-27	04/01/2028	\$6,425.24	\$499.13	\$6,924.37	\$99,826.02	\$93,400.78		
	FY 27-28	10/01/2028	\$6,457.36	\$467.00	\$6,924.37	\$93,400.78	\$86,943.41		
14	FY 27-28	04/01/2029	\$6,489.65	\$434.72	\$6,924.37	\$86,943.41	\$80,453.76		
	FY 28-29	10/01/2029	\$6,522.10	\$402.27	\$6,924.37	\$80,453.76	\$73,931.66		
15	FY 28-29	04/01/2030	\$6,554.71	\$369.66	\$6,924.37	\$73,931.66	\$67,376.95		
	FY 29-30	10/01/2030	\$6,587.48	\$336.88	\$6,924.37	\$67,376.95	\$60,789.47		
16	FY 29-30	04/01/2031	\$6,620.42	\$303.95	\$6,924.37	\$60,789.47	\$54,169.05		
	FY 30-31	10/01/2031	\$6,653.52	\$270.85	\$6,924.37	\$54,169.05	\$47,515.53		
17	FY 30-31	04/01/2032	\$6,686.79	\$237.58	\$6,924.37	\$47,515.53	\$40,828.74		
	FY 31-32	10/01/2032	\$6,720.22	\$204.14	\$6,924.37	\$40,828.74	\$34,108.51		
18	FY 31-32	04/01/2033	\$6,753.83	\$170.54	\$6,924.37	\$34,108.51	\$27,354.69		
	FY 32-33	10/01/2033	\$6,787.59	\$136.77	\$6,924.37	\$27,354.69	\$20,567.09		
19	FY 32-33	04/01/2034	\$6,821.53	\$102.84	\$6,924.37	\$20,567.09	\$13,745.56		
	FY 33-34	10/01/2035	\$6,855.64	\$68.73	\$6,924.37	\$13,745.56	\$6,889.92		
20	FY 33-34	04/01/2036	\$6,889.92	\$34.45	\$6,924.37	\$6,889.92	\$0.00		
						\$192,456.26	\$15,274.78	\$207,731.04	

**City of Santa Fe
Fiscal Impact Report (FIR)**

This Fiscal Impact Report (FIR) shall be completed for each proposed bill or resolution as to its direct impact upon the City's operating budget and is intended for use by any of the standing committees of and the Governing Body of the City of Santa Fe. Bills or resolutions with no fiscal impact still require a completed FIR. Bills or resolutions with a fiscal impact must be reviewed by the Finance Committee. Bills or resolutions without a fiscal impact generally do not require review by the Finance Committee unless the subject of the bill or resolution is financial in nature.

Section A. General Information

(Check) Bill: X Resolution: _____
(A single FIR may be used for related bills and/or resolutions)

Short Title(s): An ordinance that shall be known as the "Santa Fe Business Incubator Ordinance to restructure and add to the contributions and obligations of the City and Santa Fe Business Incubator, Inc."

Sponsor(s): Councilor Signe Lindell and Mayor Javier Gonzales
 Reviewing Department(s): Housing and Community Development - Economic Development Division
 Person Completing FIR: Fabian Trujillo Date: June 5, 2014 Phone: 955-6912

Reviewed by City Attorney: *Judith Amador* Date: 6/6/14
(Signature)

Reviewed by Finance Director: *Marta Garcia* Date: 6/6/14
(Signature) MARCOS A. Tapia

Section B. Summary

Briefly explain the purpose and major provisions of the bill/resolution.

The project ordinance and restated project participation agreement (PPA) is to pay off a Section 108 HUD loan that City entered into in 2004 with the SFBI as a sub-recipient. The amount of the loan is \$192,456.26. The purposes of the loan were to provide funding to SFBI to construct the second phase of the incubator building and improve its facility on the property donated to it by the City. The City will then enter into a restructured loan with SFBI which will allow SFBI to make repayment of the loan while easing the strain on their operations. The City will utilize monies from the Monte Serreno development fund that are in escrow as part of a consent/deed in Tano Santa Fe Partners v City of Santa Fe. According to the City Attorney's office, these escrowed funds cannot be used for anything else except for a crafts/incubator. The City Attorney's office has also advised that the City can use these escrowed funds to pay off the HUD loan for the SFBI. The terms of the restructured loan will be no payments for the first five years and then a 15 year loan with a 1% repayment plan (See Attached Amortization Schedule).

Section C. Fiscal Impact

Note: Financial information on this FIR does not directly translate into a City of Santa Fe budget increase. For a budget increase, the following are required:

- The item must be on the agenda at the Finance Committee and City Council as a "Request for Approval of a City of Santa Fe Budget Increase" with a definitive funding source (could be same item and same time as bill/resolution)
- Detailed budget information must be attached as to fund, business units, and line item, amounts, and explanations (similar to annual requests for budget)
- Detailed personnel forms must be attached as to range, salary, and benefit allocation and signed by Human Resource Department for each new position(s) requested (prorated for period to be employed by fiscal year)*

1. Projected Expenditures:

- Indicate Fiscal Year(s) affected – usually current fiscal year and following fiscal year (i.e., FY 03/04 and FY 04/05)
- Indicate: "A" if current budget and level of staffing will absorb the costs
"N" if new, additional, or increased budget or staffing will be required
- Indicate: "R" – if recurring annual costs
"NR" if one-time, non-recurring costs, such as start-up, contract or equipment costs
- Attach additional projection schedules if two years does not adequately project revenue and cost patterns
- Costs may be netted or shown as an offset if some cost savings are projected (explain in Section 3 Narrative)

_____ Check here if no fiscal impact

Column #:	1	2	3	4	5	6	7	8
	Expenditure Classification	FY 2015	"A" Costs Absorbed or "N" New Budget Required	"R" Costs Recurring or "NR" Non-recurring	FY _____	"A" Costs Absorbed or "N" New Budget Required	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

Personnel*	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Fringe**	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Capital Outlay	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Land/ Building	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
Professional Services	\$ _____	_____	_____	_____	\$ _____	_____	_____	_____
PPA	\$ _____	<u>N</u>	<u>NR</u>	_____	\$ _____	_____	_____	_____
	\$ <u>192,456.26</u>							
Total:	\$ _____				\$ _____			
	\$ <u>192,456.26</u>							

* Any indication that additional staffing would be required must be reviewed and approved in advance by the City Manager by attached memo before release of FIR to committees. **For fringe benefits contact the Finance Dept.

2. Revenue Sources:

- a. To indicate new revenues and/or
- b. Required for costs for which new expenditure budget is proposed above in item 1.

Column #:	1	2	3	4	5	6
	Type of Revenue	FY	"R" Costs Recurring or "NR" Non-recurring	FY _____	"R" Costs – Recurring or "NR" Non-recurring	Fund Affected

<u>Loan Interest</u>	\$ <u>15,274.78</u>	<u>R</u>	\$ _____	_____	<u>ED</u>	
Repayment	\$ <u>192,456.26</u>	_____	\$ _____	_____	_____	
_____		_____	\$ _____	_____	_____	
Total:	\$ <u>207,731.04*</u>		\$ _____			

*See attached repayment schedule

3. Expenditure/Revenue Narrative:

Explain revenue source(s). Include revenue calculations, grant(s) available, anticipated date of receipt of revenues/grants, etc. Explain expenditures, grant match(s), justify personnel increase(s), detail capital and operating uses, etc. (Attach supplemental page, if necessary.)

The City will utilize \$192, 456.26 from the Monte Serreno escrow development fund. There is \$400,000 in this fund. The escrow fund can be utilized for an Crafts/Incubator. SFBI will begin repayment of the HUD loan in five years or in FY-2019/2020. SFBI will make semi-annual payments for 15 years until the loan is repaid. The loan repayment schedule is attached. The loan repayments will repaid back to the economic development fund which will generate \$15,274,78 in interest. Once repayment begins, the monies can be used for other economic development projects. The costs of servicing the loan will be absorbed by existing personnel.

Section D. General Narrative

1. Conflicts: Does this proposed bill/resolution duplicate/conflict with/companion to/relate to any City code, approved ordinance or resolution, other adopted policies or proposed legislation? Include details of city adopted laws/ordinance/resolutions and dates. Summarize the relationships, conflicts or overlaps.

This bill does not conflict with any bill introduced. It would support and protect the City's investment in the incubator and allow SFBI to continue to provide incubations services to entrepreneurs and start-up businesses.

2. Consequences of Not Enacting This Bill/Resolution:

Are there consequences of not enacting this bill/resolution? If so, describe.

The consequences of not enacting this bill would continue to strain the fiscal resource of SFBI and will threaten the long term viability of the incubator. This will also diminish the City's ability to create new businesses and diversify Santa Fe's economy.

3. Technical Issues:

Are there incorrect citations of law, drafting errors or other problems? Are there any amendments that should be considered? Are there any other alternatives which should be considered? If so, describe.

None

4. Community Impact:

Briefly describe the major positive or negative effects the Bill/Resolution might have on the community including, but not limited to, businesses, neighborhoods, families, children and youth, social service providers and other institutions such as schools, churches, etc.

SFBI has successfully grown companies and diversified Santa Fe's economy since 1997. The bill would continue support the City's assets in its entrepreneurial eco-system which allows SFBI to assist entrepreneurs and businesses in forming businesses in our major sectors of Arts & Culture, Green, Knowledge Based, Media and Technology as well as many service sector businesses as well. In addition, to diversifying Santa Fe's economy, this bill will continue to expand its tax base with the creation of jobs, addition of payroll, capital investment and attraction of investment capital to Santa Fe in industries of the future.

Form adopted: 01/12/05; revised 8/24/05; revised 4/17/08

SFBI LOAN REPAYMENT SCHEDULE

189,000.00 8/1/14 par due - to be paid 7/23/14
 5,367.15 8/1/14 interest due - to be paid 7/23/14
194,367.15 8/1/14 Balance Due HUD on 7/23/14

-1,910.89 Cash in HUD Repayment Account
192,456.26 Cash Bal City to refinance

SFBI LOAN REPAYMENT SCHEDULE

PAR AMOUNT 192,456.26

INT RATE 1.00% annual

TERM 20 years payments starting in year 6 (5 years w/out payment)

LEVEL

SEMI-ANNUAL

NO.	FY	DATE	PRINCIPLE	INTEREST	TOTAL PAYMENT	OPENING PRINCIPLE BALANCE	Closing PRINCIPLE BALANCE
	FY 14-15	10/01/2014	\$0.00	\$0.00	\$0.00		
1	FY 14-15	04/01/2015	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 15-16	10/01/2015	\$0.00	\$0.00	\$0.00		
2	FY 15-16	04/01/2016	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 16-17	10/01/2016	\$0.00	\$0.00	\$0.00		
3	FY 16-17	04/01/2017	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 17-18	10/01/2017	\$0.00	\$0.00	\$0.00		
4	FY 17-18	04/01/2018	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 18-19	10/01/2018	\$0.00	\$0.00	\$0.00		
5	FY 18-19	04/01/2019	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	FY 19-20	10/01/2019	\$5,962.09	\$962.28	\$6,924.37	\$192,456.26	\$186,494.17
6	FY 19-20	04/01/2020	\$5,991.90	\$932.47	\$6,924.37	\$186,494.17	\$180,502.28
	FY 20-21	10/01/2021	\$6,021.86	\$902.51	\$6,924.37	\$180,502.28	\$174,480.42
7	FY 20-21	04/01/2022	\$6,051.97	\$872.40	\$6,924.37	\$174,480.42	\$168,428.45
	FY 21-22	10/01/2022	\$6,082.23	\$842.14	\$6,924.37	\$168,428.45	\$162,346.23

NO.	FY	DATE	PRINCIPLE	INTEREST	TOTAL PAYMENT	OPENING		Closing		
						PRINCIPLE BALANCE	BALANCE	PRINCIPLE BALANCE	BALANCE	
8	FY 21-22	04/01/2023	\$6,112.64	\$811.73	\$6,924.37	\$162,346.23	\$156,233.59			
	FY 22-23	10/01/2023	\$6,143.20	\$781.17	\$6,924.37	\$156,233.59	\$150,090.39			
9	FY 22-23	04/01/2024	\$6,173.92	\$750.45	\$6,924.37	\$150,090.39	\$143,916.47			
	FY 23-24	10/01/2024	\$6,204.79	\$719.58	\$6,924.37	\$143,916.47	\$137,711.69			
10	FY 23-24	04/01/2025	\$6,235.81	\$688.56	\$6,924.37	\$137,711.69	\$131,475.88			
	FY 24-25	10/01/2025	\$6,266.99	\$657.38	\$6,924.37	\$131,475.88	\$125,208.89			
11	FY 24-25	04/01/2026	\$6,298.32	\$626.04	\$6,924.37	\$125,208.89	\$118,910.57			
	FY 25-26	10/01/2026	\$6,329.82	\$594.55	\$6,924.37	\$118,910.57	\$112,580.75			
12	FY 25-26	04/01/2027	\$6,361.46	\$562.90	\$6,924.37	\$112,580.75	\$106,219.29			
	FY 26-27	10/01/2027	\$6,393.27	\$531.10	\$6,924.37	\$106,219.29	\$99,826.02			
13	FY 26-27	04/01/2028	\$6,425.24	\$499.13	\$6,924.37	\$99,826.02	\$93,400.78			
	FY 27-28	10/01/2028	\$6,457.36	\$467.00	\$6,924.37	\$93,400.78	\$86,943.41			
14	FY 27-28	04/01/2029	\$6,489.65	\$434.72	\$6,924.37	\$86,943.41	\$80,453.76			
	FY 28-29	10/01/2029	\$6,522.10	\$402.27	\$6,924.37	\$80,453.76	\$73,931.66			
15	FY 28-29	04/01/2030	\$6,554.71	\$369.66	\$6,924.37	\$73,931.66	\$67,376.95			
	FY 29-30	10/01/2030	\$6,587.48	\$336.88	\$6,924.37	\$67,376.95	\$60,789.47			
16	FY 29-30	04/01/2031	\$6,620.42	\$303.95	\$6,924.37	\$60,789.47	\$54,169.05			
	FY 30-31	10/01/2031	\$6,653.52	\$270.85	\$6,924.37	\$54,169.05	\$47,515.53			
17	FY 30-31	04/01/2032	\$6,686.79	\$237.58	\$6,924.37	\$47,515.53	\$40,828.74			
	FY 31-32	10/01/2032	\$6,720.22	\$204.14	\$6,924.37	\$40,828.74	\$34,108.51			
18	FY 31-32	04/01/2033	\$6,753.83	\$170.54	\$6,924.37	\$34,108.51	\$27,354.69			
	FY 32-33	10/01/2033	\$6,787.59	\$136.77	\$6,924.37	\$27,354.69	\$20,567.09			
19	FY 32-33	04/01/2034	\$6,821.53	\$102.84	\$6,924.37	\$20,567.09	\$13,745.56			
	FY 33-34	10/01/2035	\$6,855.64	\$68.73	\$6,924.37	\$13,745.56	\$6,889.92			
20	FY 33-34	04/01/2036	\$6,889.92	\$34.45	\$6,924.37	\$6,889.92	\$0.00			
						\$192,456.26	\$15,274.78	\$207,731.04		

ACTION SHEET
CITY COUNCIL COMMITTEE MEETING OF 07/09/14
ITEM FROM FINANCE COMMITTEE MEETING OF 06/16/14

ISSUE:

29. Request for Approval of an Ordinance Relating to the City of Santa Fe Economic Development Plan Ordinance, Article 11-11 SFCC 1987; Amending Ordinance No. 1997-1 for the Purpose of Approving and Adopting a First Amended and Restated Local Economic Development Project Participation Agreement Between the City of Santa Fe and Santa Fe Business Incubator, Inc. to Restructure and Add to the Contributions and Obligations of the City and Santa Fe Business Incubator, Inc. (Councilor Lindell and Mayor Gonzales) (Fabian Trujillo)

A. Request for Approval of Economic Development First Amendment and Restated Project Participation Agreement; Santa Fe Business Incubator. (Fabian Trujillo)

Committee Review:

Economic Development Review Subcommittee (approved) 06/09/14

City Business Quality of Life Committee (approved) 06/11/14

City Council (request for hearing) 06/11/14

City Council (public hearing) 07/09/14

Fiscal Impact – Yes

FINANCE COMMITTEE ACTION: APPROVED AS CONSENT ITEM

Requested approval of Economic Development First Amendment and Restated Project Participation Agreement with Santa Fe Business Incubator in the amount of \$207,731.04.

SPECIAL CONDITIONS OR AMENDMENTS

STAFF FOLLOW-UP:

VOTE	FOR	AGAINST	ABSTAIN
COUNCILOR TRUJILLO	X		
COUNCILOR RIVERA	X		
COUNCILOR LINDELL	X		
COUNCILOR MAESTAS	X		
CHAIRPERSON DOMINGUEZ			

3-17/14/FCMissue

12. REQUEST FOR APPROVAL OF LEGAL SERVICES AGREEMENT WITH JEFFREY ALBRIGHT OF LEWIS ROCA ROTHGERBER LLP TO REPRESENT THE CITY IN PRC CASE #13-00390-UT. (MARCOS MARTINEZ)

Marcos Martinez noted his Memo of June 2, 2014, which is in the Council packets, and said he will stand for questions.

Responding to Councilor Bushee, Mr. Martinez said this will be a cost sharing with Bernalillo County and Santa Fe County.

MOTION: Councilor Bushee moved, seconded by Councilor Ives, to approve this request.

VOTE: The motion was approved on the following Roll Call vote:

For: Mayor Gonzales, Councilor Bushee, Councilor Dimas, Councilor Dominguez, Councilor Ives, Councilor Lindell, Councilor Rivera and Councilor Trujillo.

Against: None.

13. REQUEST TO PUBLISH NOTICE OF PUBLIC HEARING ON JULY 9, 2014: BILL NO. 2014-19: AN ORDINANCE RELATING TO THE CITY OF SANTA FE ECONOMIC DEVELOPMENT PLAN ORDINANCE, ARTICLE 11-11 SFCC 1987; AMENDING ORDINANCE NO. 1997-1 FOR THE PURPOSE OF APPROVING AND ADOPTING A FIRST AMENDED AND RESEATED LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION AGREEMENT BETWEEN THE CITY OF SANTA FE AND SANTA FE BUSINESS INCUBATOR, INC., TO RESTRUCTURE AND ADD TO THE CONTRIBUTIONS AND OBLIGATIONS OF THE CITY AND SANTA FE BUSINESS INCUBATOR, INC. (COUNCILOR LINDELL AND MAYOR GONZALES). (FABIAN TRUJILLO)

MOTION: Councilor Bushee moved, seconded by Councilor Ives, to approve this request.

DISCUSSION: Councilor Bushee asked how this came from Development Monte Sereno to the Incubator.

Mr. Trujillo said, "Yes. In 1992, there was a consent degree."

Councilor Bushee said she knows about the consent degree and asked how it was linked to an incubator.

Mr. Trujillo said he is unsure exactly how, but it was part of the negotiations in the consent decree.

VOTE: The motion was approved on the following Roll Call vote:

For: Mayor Gonzales, Councilor Bushee, Councilor Dimas, Councilor Dominguez, Councilor Ives, Councilor Lindell, Councilor Rivera and Councilor Trujillo.

Against: None.

14. APPROVAL OF 2014 CIP BOND ISSUE FOR \$18 MILLION. (ISAAC PINO)

A copy of an Action Sheet from the Public Works/CIP and Land Use Committee Meeting of Monday, June 9, 2014, in regard to this item, is incorporated herewith to these minutes as Exhibit "6."

MOTION: Councilor Bushee moved, seconded by Councilor Trujillo, to approve this request.

FRIENDLY AMENDMENT: Councilor Ives said, "On the ITT line, it indicates ITT Upgrades. I'm just wondering if that needs to be expanded so it is ITT expenditures."

DISCUSSION ON THE FRIENDLY AMENDMENT: Mayor Gonzales said that is in the description so it should be okay, and asked Ms. Brennan to speak to whether it is appropriate when it goes out for a bond if we have ITT with a description on it for upgrades.

Ms. Brennan said, "If it is expenditures and upgrades. Yes."

THE AMENDMENT WAS FRIENDLY TO THE MAKER AND SECOND, AND THERE WERE NO OBJECTIONS BY THE OTHER MEMBERS OF THE GOVERNING BODY.

VOTE: The motion, as amended, was approved on the following Roll Call vote:

For: Mayor Gonzales, Councilor Bushee, Councilor Dimas, Councilor Dominguez, Councilor Ives, Councilor Lindell, Councilor Rivera and Councilor Trujillo.

Against: None.

[STENOGRAPHER'S NOTE: The complete exchange between Councilor Dominguez and Yolanda Vigil during the roll call was inaudible because Councilor Dominguez's microphone was not turned on. Ms. Vigil said, "That's correct. This is what was approved at Public Works on Monday.]

Mayor Gonzales said, "Thank you Ike. Well done."

Committee informed.

B. Business Survey Update - (Fabian Trujillo)- Not discussed

IV. UNFINISHED BUSINESS (None)

V. ACTION ITEMS

- A. Request for approval of an ordinance relating to the City of Santa Fe Economic Development Plan Ordinance, Article 11-11 SFCC 1987; Amending Ordinance No 1997-1 for the purpose of approving and adopting an amended local economic development project participation agreement between the City of Santa Fe and Santa Fe Business Incubator, Inc. to amend the financial structure of the Project Participation Agreement. (Councilor Lindell) (Fabian Trujillo).

Mr. Trujillo said the Santa Fe Business Incubator Corporation runs the Incubator and was founded in 1997. The City of Santa Fe entered into a HUD loan agreement in 2004 as borrower, to finance \$300,000 for the second phase of construction. The loan amount is \$192,456 and the City would like to amend the project participation agreement and refinance \$300,000 to square up the financial picture for the Santa Fe Business Incubator Corporation.

He explained the loan has been financially difficult due to the recession, for the Incubator Corporation to make reimbursements for the last three years. There is \$400,000 identified in escrow since 1992 and the City Attorney's office said the escrow funds could be used to refinance or for the Incubator.

He said staff recommends the project participation agreement be amended and enter a 20 year loan; the first five years would have no repayment. The remaining 15 years would be at 1% repayment with semiannual payments of 6,924 dollars.

Mr. Trujillo introduced Marie Longserre, Executive Director of the Santa Fe Business Incubator.

Ms. Longserre said she has been the President and CEO of the Santa Fe Business Incubator since 1997. The HUD loan became onerous because it started with no payment and no interest for several years and after five years, ballooned. Currently they pay \$33,000 a year in interest and principal on a \$192,000 note. She explained that due to HUD loan restrictions, this is the first time the Corporation could pay off the debt from other types of financing.

She said the City also wants to get out of the HUD deal and the idea is to refinance and restructure the loan through the City and buy HUD out. Ms. Longserre said while looking for long term funding from other sources, an agreement would be entered with Santa Fe County for a small amount. She hopes that will begin a long-term relationship that will add sustainability and align them with another government entity that receives benefits and a tax return from the Incubator. She said the Corporation Board is also working diligently to build new resources for private sector funding.

Ms. Longserre noted that there has not been a cost-of-living raise with the City in a while and their private foundation money was cut severely or went away, during the recession. She said the Corporation is now rebuilding some of that and with the opening of the bioscience lab, the clients will potentially be new

sources of revenue.

Mr. Trujillo added that the refinancing was reviewed and unanimously recommended for approval by the Economic Development Review Subcommittee (EDRC).

Ms. Noble said the City has worked to maintain the funding when the budgets were looked at by EDRC in the recession. Also a new software system will help to understand the significant impacts of the Incubator.

Dr. Abeyta entered the meeting at this time.

Ms. Noble said staff would bring forward the annual Professional Services Contract with the Incubator and the Committee could look at the operational piece at that time.

Councilor Ives confirmed that the payback in five years on the 1% interest is annually. He asked when the interest would begin. Mr. Trujillo replied the interest begins the sixth year.

Councilor Ives asked for that to be more clearly stated. He said there are some situations when a loan is received even as a nonprofit, that the IRS would impute interest on the loan. He asked that staff have legal look at that to ensure there are no surprises about the terms and financing and staff should ensure as this comes to City Council that those issues are addressed.

Councilor Ives said presumably there are reports beyond 2011; for 2012 and 2013.

Ms. Longserre said this is a new agreement and in the regular operations contract with the City, the Incubator makes quarterly and annual reports. She said the report referred to by Councilor Ives is an independent study by the State Economic Development Department, a subset of the statewide study. She said there would be an updated version undertaken by the City that would be an amendment to that.

Mr. Trujillo explained that the City is required to have a cost benefit analysis and would use the New Mexico Economic Development Department Report done for the Incubator Program to meet the requirements.

Councilor Ives said he is also interested in the annual report.

Ms. Noble offered to bring the annual report with the public service contract and would get him the Annual Economic Development Report that has the numbers and measures summarized.

Chair Lindell encouraged the Committee to look at the report in the packet. She said the estimated revenues generated are impressive. She thanked Ms. Longserre for her work.

~~**Councilor Ives moved to approve the request as presented. Mr. Sisneros seconded the motion and it passed by unanimous voice vote.**~~

- ~~B. Request for approval of Professional Services Agreement (PSA), Amendment No 2 – Youthworks – from Workforce Development RFP 13/12/P (Kate Noble).~~

~~Ms. Noble explained the Youthworks PSA in the packet is the primary investment in Workforce~~