

NMFA Programs	Energy Efficiency Revolving Loan Fund Policy	Original Effective Date: 1/30/2025
		Last Revision:



Energy Efficiency Revolving Loan Fund Policy

This Energy Efficiency Revolving Loan Fund Policy was adopted on January 30, 2025, by the Board of Directors of the New Mexico Finance Authority, a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.

I. PURPOSE

A. Statutory Authority.

The Infrastructure Investment and Jobs Act, Public Law 117-58 and commonly referred to as the Bipartisan Infrastructure Law, included \$250 million to the U.S. Department of Energy for the Energy Efficiency Revolving Loan Fund Capitalization Grant Program, intended to provide capital grants to states to establish revolving loan funds for energy audits, upgrades and retrofits. On August 1, 2024, the Energy Conservation and Management Division (“ECMD”) of the New Mexico Energy, Minerals and Natural Resources Department was awarded a federal capitalization grant to establish an energy efficiency revolving loan fund for the state of New Mexico.

ECMD entered into a Memorandum of Agreement with the New Mexico Finance Authority (“NMFA”) whereby NMFA will partner with ECMD on the administration of federal funding to qualified entities for energy efficiency audits, upgrades and retrofits from the Energy Efficiency Revolving Loan Fund, a sub-fund of the Economic Development Revolving Fund. The Economic Development Revolving Fund was created at the NMFA by the Statewide Economic Development Finance Act (the “Act”, NMSA 1978 Section 6-25-1 to 6-25-28). The NMFA, pursuant to NMSA 1978, Section 6-25-6, is authorized to make loans from the Economic Development Revolving Fund for projects to eligible entities pursuant to rules approved by the New Mexico Finance Authority Oversight Committee. On October 5, 2023, the New Mexico Finance Authority Oversight Committee approved Amended and Restated Rules Governing the New Mexico Finance Authority Administration of Federally Funded Direct Lending Programs (the “Rules”).

The NMFA may make loans from the Energy Efficiency Revolving Loan Fund to eligible entities for projects subject to the federal requirements of the Energy Efficiency Revolving Loan Fund Capitalization Grant Program, the Rules and this policy.

B. Policy Objectives.

The goal of this Energy Efficiency Revolving Loan Fund Policy is to provide guidance to NMFA staff and applicants regarding program implementation including mission objectives, lending parameters and terms, and reporting requirements. This policy is intended to provide a foundation for standards of discipline guiding the execution and monitoring of loans from the EE RLF.

This Energy Efficiency Revolving Loan Fund Policy shall be implemented by the NMFA Board of Directors (“Board”) and may, at times, be waived by the Board if it determines that a deviation regarding certain Policy provisions is advisable. Such waiver will be reflected in the minutes of the meeting at which the waiver is considered.

II. DEFINITIONS

A. “**Act**” means the Statewide Economic Development Finance Act, §§6-25-1 to 6-25-28 NMSA 1978, as amended and supplemented from time to time.

B. “**Applicant**” means an Eligible Entity that has filed an Application with the NMFA for a loan from the Energy Efficiency Revolving Loan Fund.

C. “**Application**” means a written document filed with the NMFA by an Applicant to request a loan from the Energy Efficiency Revolving Loan Fund.

D. “**Board**” means the NMFA Board of Directors.

E. “**Department**” means the Energy Conservation and Management Division of the New Mexico Energy, Minerals and Natural Resources Department.

F. “**Eligible Entity**” means a business that (i) is a for-profit or not-for-profit business, including a corporation, limited liability company, partnership or other entity conducting a majority of its business in the state of New Mexico; (ii) owns, operates or occupies one or more commercial buildings, or commercial spaces within a building that serves multiple functions (such as for commercial and residential operations); (iii) has completed a qualifying commercial energy audit reviewed and approved by the Department estimating total energy and cost savings potential of the project; and (iv) is determined by the New Mexico Economic Development Department (“EDD”) to be engaged in an enterprise that serves an economic development goal and is suitable for financing assistance from the Economic Development Revolving Fund.

G. “**Fund**” means the Energy Efficiency Revolving Fund (“EE RLF”), a sub-fund of the Economic Development Revolving Fund established pursuant to the Act.

H. “**NMFA**” means the New Mexico Finance Authority.

I. “**Project**” means lifecycle cost-effective energy efficiency upgrades and retrofits recommended in a qualifying commercial audit that improve the physical comfort, energy efficiency or air quality of community facilities (including health care, educational, recreational or cultural facilities benefiting the local community) and lead to at least one of the following outcomes: reduced energy intensity of the building, or improved control and management of the building’s energy usage to reduce demand during peak times.

J. “**Rules**” means the Amended and Restated Rules Governing the New Mexico Finance Authority Administration of Federally Funded Direct Lending Programs, as amended from time to time.

III. MISSION OBJECTIVES

NMFA’s partner on program implementation is the Energy Conservation and Management Division of the New Mexico Energy, Minerals and Natural Resources Department, the U.S. Department of Energy designated State Energy Office. ECMD leads clean energy adoption for the state by developing and implementing effective clean energy programs - including renewable energy, energy efficiency, alternative fuels, and safe transportation of radioactive waste - to promote economic growth, environmental sustainability, and wise stewardship of our natural resources while protecting public health and safety for New Mexico and its citizens.

ECMD has identified the following mission objectives for the EE RLF:

A. Improve, with respect to the building or facility of the eligible recipient, the physical comfort of the building or facility occupants; the energy efficiency of the building or facility; and/or the quality of the air in the building or facility as measured by estimates from energy audits relative to baseline levels;

B. Reduce the energy intensity of the building or facility of the eligible recipient; or improve the control and management of energy usage of the building or facility to reduce demand during peak times;

C. Lower operating costs for non-profit and for-profit businesses, potentially allowing them to grow, hire more employees, and/or invest in the community;

D. Improve access to affordable financing for energy efficiency projects in disadvantaged communities; at least forty percent (40%) of financing available is reserved for projects benefiting census tracts characterized as disadvantaged¹;

E. Support the growth of local businesses operating in the clean energy sector;

F. Support clean energy generation and the transition from fossil fuels; and

¹ The [Climate and Economic Justice Screening Tool](#) is a federal environmental screening tool developed to identify census tracts considered disadvantaged for the purposes of certain federal investment programs in climate, clean energy, affordable and sustainable housing. The tool draws on datasets that are indicators of burden to identify communities marginalized by underinvestment and overburdened by pollution.

G. Leverage additional private and public funding for energy efficiency projects, as measured by co-lending/investment in projects financed.

IV. ELIGIBILITY FOR FINANCING

Before submitting Applications, entities seeking financing from the EE RLF shall complete an online eligibility form made publicly available by the NMFA for the purpose of determining if an entity qualifies as an Eligible Entity, and if so, whether the proposed project is eligible for financing based on federal guidelines and restrictions, the Rules, and this policy.

Information requested to determine eligibility will include but is not limited to:

- Type of entity and formation documents (e.g. articles of incorporation and by-laws)
- Entity location
- Project location
- Types of services provided by the entity to the community
- If the entity meets at least one of the following:
 - More than 50% of revenue is earned in the state of New Mexico, or
 - More than 50% of services provided are in the state of New Mexico
- Detailed description of the Project
- Expected economic development impact of the Project (e.g. job creation)
- Target dates for initiation and completion of the Project
- Estimated useful life of the Project
- Project total funding sources and uses
- A qualifying energy efficiency audit that:
 - Determines the overall consumption of energy of the facility of the eligible recipient
 - Identifies and recommends lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient
 - Identifies the period and level of peak energy demand for each building within the facility of the eligible recipient and the sources of energy consumption that are contributing the most to that period of peak energy demand
 - Recommends controls and management systems to reduce or redistribute peak energy consumption
 - Estimates the total energy and cost savings potential for the facility of the eligible recipient if all recommended upgrades and retrofits are implemented, using software approved by DOE²
 - May recommend strategies to increase energy efficiency of the facility of the eligible recipient through use of electric systems or other high-efficiency systems utilizing fuels, including natural gas and hydrogen
 - Meets one of the following:
 - Was performed after May 20, 2021, providing that if the facility has undergone an addition, renovation or significant change since the audit was performed, a new audit should be performed

² See the [RLP Program Implementation Frequently Asked Questions](#) Section C. Audits and Retrofit Requirements for more information on meeting the requirements for commercial energy audits.

- Was performed between 2018 and May 20, 2021; audits performed prior to 2018 do not qualify
- Was conducted at the entity's request through EMNRD's Guaranteed Energy Savings Performance Contracting Program by a pre-approved Energy Service Company
- If the retrofits or upgrades were recommended in the qualifying commercial energy audit
- If the retrofits or upgrades improve at least one of the following:
 - The physical comfort of the facility
 - The energy efficiency of the facility
 - The air quality in the building
- If the retrofit or upgrade leads to at least one of the following outcomes:
 - Reduces the energy intensity of the facility
 - Improves the control and management of energy usage of the facility to reduce demand during peak times.

V. APPLICATION REQUIREMENTS

Eligible Entities will receive access to the Application form, which will include but is not limited to the following additional information:

- Organizational chart and description of management team and staffing.
- Composition and biographies of all governing board members.
- Certificate of good standing from the New Mexico Secretary of State, if applicable.
- Copies of Applicant's licenses and recent reports from all relevant regulatory bodies, if applicable.
- Copy of the Applicant's internal revenue service tax exempt determination letter, if applicable.
- Applicant's audited financial reports for the most recent three (3) years, or term of existence, and projected cash flows for at least three (3) years.
- Any existing title insurance policies, title abstracts or searches of the real property owned by the Applicant.
- Written assurance acceptable to NMFA that the Applicant has proper title, easements, leases, and right of ways to the property upon which any facility proposed for funding is constructed or improved.
- Any additional information as requested by the Department or the NMFA.

VI. LOAN STRUCTURING PARAMETERS

A. Eligible Uses of Loan Proceeds. Energy efficiency audit costs and upgrades and retrofits that improve overall energy consumption, for example smart thermostats, heating, ventilation and air conditioning (HVAC), windows and doors, insulation, heating systems, air sealing, lighting and building envelope upgrades and relevant, targeted roof repairs. Solar and electric panels are not eligible uses on a standalone basis but are eligible as part of a comprehensive energy efficiency upgrade.

B. Loan Amount Per Project. Loans may be for amounts between \$250,000 and \$1,000,000.

C. Loan Amortization. Loans must be fully amortized by the earlier of:

1. The year in which the upgrades or retrofits carried out using the loan exceed their expected useful life; or

2. Fifteen (15) years after the upgrades or retrofits are installed.

D. Interest Rates. Fixed interest rates of two percent (2%) per annum; interest paid monthly.

E. Borrower Equity Requirements. A minimum of five percent (5%) of total project costs must be contributed to the project budget by the borrower. Equity contributions may be cash or in-kind contributions.

F. Debt Service Coverage Requirements. The below coverage tests establish minimum requirements of the Applicant's excess revenue-to-debt, its ability to meet short-term obligations and its solvency. The NMFA will require applicants meet each of the following three measures:

1. Cash Flow Coverage (greater than or equal to 1.0x): Considering expected future energy cost savings from the project, at a minimum, NMFA will evaluate historical and projected Earnings Before Interest Depreciation and Amortization (EBIDA) to establish the Applicant's ability to cover any existing and proposed debt service. At its discretion, NMFA may undertake a multi-year approach to determine eligibility under this test.

2. Current Liquidity Ratio (greater than or equal to 1.5x): NMFA will determine an Applicant's ability to repay current debt obligations by dividing its current assets to its current liabilities.

3. Debt Ratio ($\leq 1.25x$): NMFA will determine the degree to which an Applicant's assets are financed with debt by dividing its total liabilities, with consideration to the proposed loan, to its total assets.

G. Additional Debt. All future additional debt must receive consent from NMFA before closing, noting that such consent cannot be unreasonably withheld.

H. Collateral. Loans may be collateralized by real property with loan-to-value not to exceed ninety-five percent (95%). NMFA requires an as-built/as-complete or market-value appraisal prepared by an independent, qualified appraiser.

I. Prepayment. Loans may be repaid in full at any time and at no additional cost to the borrower.

VII. COMPLIANCE AND REPORTING REQUIREMENTS

Borrowers are required to submit regular and timely financial statements and detailed reporting including:

A. Audited annual financial statements and filed copies of annual Federal and State income tax returns;

B. On a quarterly basis:

1. Unaudited complete financial statements;
2. Business/project performance report including a brief narrative and status of project completion and budget; and
3. Economic development and energy efficiency impact metrics; and

C. Annual certification that there has been no change in business ownership/change in control.

The NMFA and the Department reserve the right to conduct onsite visits at their discretion and to request additional information for monitoring purposes.

All borrowers are required to comply with all applicable federal and state laws, including but not limited to the Davis Bacon Act, the National Environmental Protection Act and Buy America, Build America.

VI. REFERENCES

Statewide Economic Development Finance Act, §§6-25-1 to 6-25-28 NMSA 1978