

CITY of ALBUQUERQUE

TWENTY-FOURTH COUNCIL

COUNCIL BILL NO. O-20-32 ENACTMENT NO. _____

SPONSORED BY: Don Harris

1 ORDINANCE

2 APPROVING A PROJECT INVOLVING ADVANCED OPTICAL TECHNOLOGIES
3 INCORPORATED PURSUANT TO THE LOCAL ECONOMIC DEVELOPMENT ACT
4 AND CITY ORDINANCE F/S O-04-10, AS AMENDED, THE CITY'S IMPLEMENTING
5 LEGISLATION FOR THAT ACT, TO SUPPORT THE OPERATIONS OF ADVANCED
6 OPTICAL TECHNOLOGIES INCORPORATED, A BUSINESS OPERATING IN
7 ALBUQUERQUE, NEW MEXICO; AUTHORIZING THE EXECUTION OF A PROJECT
8 PARTICIPATION LOAN AGREEMENT AND OTHER DOCUMENTS IN CONNECTION
9 WITH THE PROJECT; MAKING CERTAIN DETERMINATIONS AND FINDINGS
10 RELATING TO THE PROJECT INCLUDING THE APPROPRIATION OF FUNDS;
11 RATIFYING CERTAIN ACTIONS TAKEN PREVIOUSLY; AND REPEALING ALL
12 ACTIONS INCONSISTENT WITH THIS ORDINANCE.

13 WHEREAS, the City of Albuquerque (the "City") is a legally and regularly
14 created, established, organized, and existing municipal corporation of the State of
15 New Mexico (the "State"); and

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

23 WHEREAS, the City is permitted under the Act to serve as fiscal agent for
24 the State of New Mexico (the "State") to oversee and administer State local

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1 economic development funds committed to qualified entities located within the
2 corporate limits of the City; and

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

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

10 WHEREAS, the City is not providing any City funds for the qualified entity
11 pursuant to the State's Loan Program and is solely serving as the State's fiscal
12 agent consistent with the requirements of the Act; and

13 WHEREAS, pursuant to City Ordinance No. O-20-15, adopted on June 1,
14 2020, the City temporarily suspended the requirements under the LEDA Plan
15 requiring a qualified entity to remain in operations in the City for a minimum of ten
16 years as related solely to those projects receiving funding under the State's Loan
17 Program; and

18 WHEREAS, pursuant to the Act, the LEDA Plan and the Loan Program,
19 Advanced Optical Technologies Incorporated (the "Company"), has submitted to
20 the Council and the Albuquerque Development Commission (the "Commission") an
21 application (the "Application") requesting certain economic assistance to help
22 sustain business operations and the retention of two (2) employees at a minimum
23 monthly payroll of \$12,500.00 (the "Project"); and

24 WHEREAS, the City will administer and disburse to the Company loan funds
25 totaling \$214,035.00 from the State Economic Development Department through
26 the Loan Program, in eight quarterly disbursements of \$26,754.34; and

27 WHEREAS, the Act and the LEDA Plan require the City and the Company
28 enter into a project participation agreement meeting the requirements of the Act
29 and the LEDA Plan; and

30 WHEREAS, the State, City and Company have negotiated the terms of a
31 project participation agreement (the "Agreement") and related documents that will

1 govern the relationship between the City and the Company with respect to the
2 Project; and

3 WHEREAS, the form of the proposed Agreement has been filed with the City
4 Clerk and presented to the Council; and

5 WHEREAS, the proposed Agreement contains the provisions required by the
6 Act and the LEDA Plan and, among other things, provides that the Company will
7 grant to the City a security instrument to secure the Company's obligations under
8 the Agreement; and

9 WHEREAS, the Application, together with the cost-benefit analysis,
10 demonstrates the benefits that will accrue to the community as a result of the
11 donation of public resources and demonstrates that the Company will be making a
12 substantive contribution to the community, as required by the LEDA Plan; and

13 WHEREAS, the Commission has considered the Project and the proposed
14 Agreement and has recommended that the Council approve the Company's
15 proposal; and

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

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

24 WHEREAS, there has been published in The Albuquerque Journal, a
25 newspaper of general circulation in the City, public notice of the Council's intention
26 to adopt this Ordinance, which notice was published at least fourteen (14) days
27 prior to hearing and final action on this Ordinance;

28 BE IT ORDAINED BY THE COUNCIL, THE GOVERNING BODY OF THE CITY
29 OF ALBUQUERQUE:

30 Section 1. RATIFICATION. All actions not inconsistent with the provisions
31 of this Ordinance previously taken by the Council and the officials of the City
32 directed toward the provision of economic development assistance in connection

1 with the Project be approved and the same hereby are ratified, approved and
2 confirmed.

3 Section 2. GOALS AND OBJECTIVES. The goals and objectives of the
4 Project are, as set forth in the Agreement, to create and support an economic
5 development project that fosters, promotes and enhances local economic
6 development efforts and that provides job security and career opportunities for
7 Albuquerque-area residents and otherwise makes a substantive contribution to the
8 community.

9 Section 3. THE PROJECT. The Project will consist of economic assistance
10 to the Company through the State's Loan Program to help sustain the Company's
11 business operations within the City and the retention of two (2) employees at a
12 minimum monthly payroll of \$12,500.00.

13 Section 4. FINDINGS. The Council hereby declares that it has considered
14 all relevant information presented to it relating to the Project and the Agreement
15 and hereby finds and determines that the provision of economic development
16 assistance for the Project is necessary and advisable and in the interest of the
17 public and will promote the public health, safety, morals, convenience, economy,
18 and welfare of the City and its residents.

19 Section 5. AUTHORIZATION AND APPROVAL OF THE PROJECT AND THE
20 AGREEMENT; APPROPRIATION OF FUNDS. The City hereby approves the Project
21 and the Agreement, which provides, among other things, that the City will
22 administer and disburse State funds to the Company through the Loan Program in
23 the amount of \$214,053.00, in exchange for which the Company will complete the
24 Project as specified in the Agreement. There is hereby appropriated for the Project
25 \$214,053.00 of funds received from the State Economic Development Department
26 through the Loan Program.

27 Section 6. AUTHORIZATION OF OFFICERS; APPROVAL OF DOCUMENTS.

28 (A) The form, terms, and provisions of the Agreement in the form
29 presented to the Council with this Ordinance are in all respects approved,
30 authorized, and confirmed, and the City is authorized to enter into the Agreement in
31 substantially the form thereof, with only such changes as are not inconsistent with

1 this Ordinance or such other changes as may be approved by supplemental
2 resolution of the Council.

3 (B) The Council authorizes the Mayor or the Chief Administrative
4 Officer of the City to execute and deliver the Agreement in the name and on behalf
5 of the City, with only such changes therein as are not inconsistent with this
6 Ordinance or such changes as may be approved by supplemental resolution of the
7 Council.

8 (C) The Mayor, Chief Administrative Officer, Chief Financial Officer,
9 City Treasurer, and City Clerk are further authorized to execute, authenticate and
10 deliver such certifications, instruments, documents, letters and other agreements,
11 including an intergovernmental agreement with the State Economic Development
12 Department and any appropriate security agreements, and to do such other acts
13 and things, either prior to or after the date of delivery of the executed Agreement,
14 as are necessary or appropriate to consummate the transactions contemplated by
15 the Agreement.

16 (D) City officials shall take such action as is necessary in
17 conformity with the Act, the LEDA Plan and this Ordinance to effectuate the
18 provisions of the Agreement and carry out the transactions as contemplated by this
19 Ordinance and the Agreement, including, without limitation, the execution and
20 delivery of any documents deemed necessary or appropriate in connection
21 therewith.

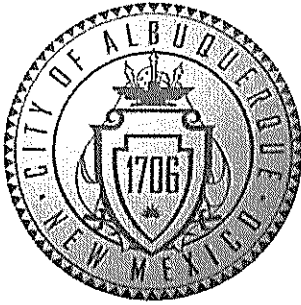
22 Section 7. SEVERABILITY. If any section, paragraph, clause or provision
23 of this Ordinance shall for any reason be held to be invalid or unenforceable, the
24 invalidity or unenforceability of that section, paragraph, clause, or provision shall
25 not affect any of the remaining provisions of this Ordinance.

26 Section 8. REPEALER. All bylaws, ordinances, resolutions, and orders, or
27 parts thereof, inconsistent with this Ordinance are repealed by this Ordinance but
28 only to the extent of that inconsistency. This repealer shall not be construed to
29 revive any bylaw, ordinance, resolution, or order, or part thereof, previously
30 repealed.

31 Section 9. RECORDING; AUTHENTICATION; PUBLICATION; EFFECTIVE
32 DATE. This Ordinance, immediately upon its final passage and approval, shall be

1 recorded in the ordinance book of the City, kept for that purpose, and shall be there
2 authenticated by the signature of the Mayor and the presiding officer of the City
3 Council, and by the signature of the City Clerk or any Deputy City Clerk, and notice
4 of adoption thereof shall be published once in a newspaper that maintains an office
5 in, and is of general circulation in, the City, and shall be in full force and effect five
6 (5) days following such publication.

LEDA 20-6: Advanced Optical Technologies Project



CITY OF ALBUQUERQUE
Albuquerque, New Mexico
Office of the Mayor

Mayor Timothy M. Keller

INTER-OFFICE MEMORANDUM

August 24, 2020

TO: Pat Davis, President, City Council

FROM: Timothy M. Keller, Mayor

A handwritten signature in black ink, appearing to be 'TK' or a stylized 'K', is written over the name 'Timothy M. Keller'.

SUBJECT: Approving an Ordinance for Advanced Optical Technologies. Project Pursuant to the Local Economic Development Act (LEDA 20-6)

Attached is an ordinance for your consideration and approval authorizing the Advanced Optical Technologies. ("AOT") Project Pursuant to the Local Economic Development Act (LEDA 20-6).

In response to the COVID-19 pandemic, the State Economic Development Department ("State") created a zero-interest loan program (the "Loan Program") for qualified entities that meet the requirements of the Act. The State's Loan Program is intended to provide short-term financing for qualified entities with repayment of the loan due within two years and with the loan amount being fully securitized for the protection of the State and public funds. This ordinance allows the City to serve as the State's fiscal agent for the loan to AOT. It is important to note that the City is not being asked to evaluate the credit-worthiness of the Company, and there are no City funds involved.

The State of New Mexico Economic Development Department is providing a loan in the amount of \$214,035.00 to assist AOT with lease payments and maintain their employment in Albuquerque. The State has agreed to loan to the Company the funds for a period not to exceed two years to be used for lease payment at 451 Innovation Pkwy SE, Suite 680, Albuquerque NM 87123, which will free up other capital the company has to maintain operations. For AOT's contribution to this economic development project, it agrees to maintain two (2) full-time positions and a minimum of \$12,500 in monthly payroll.

AOT offers multi-dimensional micro- and nano-structural material characterization, mapping, and assessment for a more complete understanding of complex materials, devices, and scenarios, and develops custom sensors for defense and commercial customers.


The City agreed to accept the findings of the economic impact analysis conducted by the State, utilizing an economic impact model by Total Impact, an economic and fiscal impact analysis tool developed by the Austin, TX, economic consulting firm Impact DataSource. The fiscal analysis is from data supplied

LEDA 20-6: Advanced Optical Technologies Project

by the Company, and confirms that the Company will be making a positive contribution to the community. The City felt a separate analysis was not necessary due to time constraints and the City's limited participation as fiscal agent for the State.

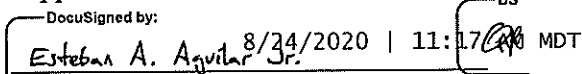
I request Introduction on September 9, 2020, with Holdover for Final Action on September 21, 2020, to allow the company to receive these funds as soon as possible.

Approved:



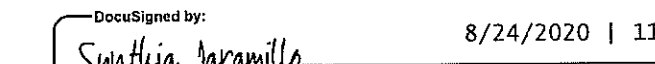
Sarita Nair, JD, MCRP Date
Chief Administrative Officer

Approved:



Esteban A. Aguilar, Jr. Date
City Attorney

Recommended:



Synthia Jaramillo Date
Economic Development Department
Synthia Jaramillo

LEDA 20-6 Advanced Optical Technologies Project

Cover Analysis**1. What is it?**

This is an ordinance authorizing a Local Economic Development Act (LEDA) Project zero interest loan (the “Loan Program”) for Advanced Optical Technologies (“AOT”). The State of New Mexico Economic Development Department (“State”) is providing a loan in the amount of \$214,035.00 to assist the company with lease payments and to maintain their employment in Albuquerque. The State has agreed to loan the Company the funds for a period not to exceed two years to be used for lease payment at 451 Innovation Pkwy SE, Suite 680, Albuquerque NM 87123, which will free up other capital the company has to maintain operations. There are no City funds involved; the City would act as fiscal agent for the State’s program and funding.

2. What will this piece of legislation do?

The ordinance would allow AOT to maintain two (2) positions and a minimum of twelve thousand five hundred dollar (\$12,500.00) in monthly payroll. The current employees are highly specialized and technical in nature and come with employee benefits.

The AOT Project is the fifth LEDA Loan Program using the proposed Ordinance authorizing temporary suspension of Section 2-14-1-9(D) of the City’s LEDA Ordinance (requiring a ten-year commitment to operate) for the limited purpose to allow the City to serve as the State’s fiscal agent related to the Loan Program.

Advanced Optical Technologies is a minority-woman owned business that was founded in 2004. With the partnership of Sandia National Laboratories and the United States Air Force and Army, AOT maintains unique capabilities and facilities for crystallographic imaging for 3D printing, material characterization for nanotechnology, and material-mapping and assessment for defense, space, and environmental markets.

3. Why is this project needed?

In response to the COVID-19 pandemic, the State Economic Development Department created the Loan Program for qualified entities that meet the requirements of the Act. The State’s Loan Program is intended to provide short-term financing for qualified entities with repayment of the loan due within two years and with the loan amount being fully securitized for the protection of the State and public funds. The City seeks to support the State’s Loan Program for qualified entities within the corporate limits of the City to help address the economic conditions resulting from the COVID-19 pandemic.

The loan will enable AOT to stay on its pre-pandemic path and provide additional high-wage jobs in the future. Without financial assistance, AOT will lose high tech positions

LEDA 20-6 Advanced Optical Technologies Project

permanently in an innovative and cutting-edge industry which is just now ready to enter a manufacturing phase. Any reduction in headcount would be detrimental to their growth.

They are requesting a \$214,035.00 loan which would be used to pay their lease payments over the next two years.

4. How much will this cost and what is the funding source?

There is no cost to the City associated with this LEDA Loan. The State has requested the City to be the fiscal agent for the loan. New Mexico Economic Development Department staff has reviewed AOT's financials and have found the following:

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

5. Is there a revenue source associated with this project? If so, what level of income is projected?

No. There is no direct revenue to the City.

LEDA 20-6: Advanced Optical Technologies Project
Project Participation Loan Agreement

**LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN
AGREEMENT**

CITY OF ALBUQUERQUE AND ADVANCED OPTICAL TECHNOLOGIES

LOCAL ECONOMIC DEVELOPMENT PROJECT 20-6

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

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

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

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

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

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

WHEREAS, pursuant to City Ordinance No. O-20-15, adopted on June 1, 2020, the City temporarily suspended the requirements under the LEDA Plan requiring a qualified entity to remain in operations in the City for a minimum of ten years as related solely to those projects receiving funding under the State’s Loan Program; and,

WHEREAS, pursuant to the Act, the LEDA Plan and the Loan Program, the Company has submitted to the Council and the Albuquerque Development Commission (the “Commission”) an application (the “Application”), attached hereto as Exhibit A, requesting certain economic assistance to help sustain business operations and the retention of 2 full-time employees at a

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Project Participation Loan Agreement

minimum monthly payroll of \$12,500.00 (the "Project"), and a corresponding table of wages and benefits for those employees, attached hereto as Exhibit B; and,

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

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

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

NOW THEREFORE, the Parties agree as follows:

1. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.
2. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain two (2) full-time positions and a minimum of twelve thousand five hundred dollars (\$12,500.00) in monthly payroll. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.
3. The State Contribution; Procedure for Disbursement of the State Contribution. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof to be used for lease payments at 1451 Innovation Parkway, SE, Albuquerque, NM 87123 (includes suite 680, suite 150, suite 404, and suite 405). The City anticipates that the State Contribution for two hundred and fourteen thousand and thirty-five dollars (\$214,035.00) will be delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. Disbursements shall be made in eight quarterly disbursements to the Company twenty-six thousand seven hundred and fifty-four dollars and thirty-four cents (\$26,754.34). The second and subsequent disbursements shall be contingent on proof satisfactory to the City that Company's lease is current and to reimburse appropriate lease payments. The City will submit an invoice to the State to request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to the Company in the manner described above.
4. Interest. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement. However, if payroll as defined in

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Project Participation Loan Agreement

Section 2 falls below 90%, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80%, interest on the loan will be 6% from the date of execution. If payroll falls below 70%, the loan will become immediately due and payable with accrued interest.

5. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City, and maintain during the entire term of this Agreement, equipment/inventory worth in excess of \$403,041.00, by and through the executed Security Agreement attached hereto as Exhibit C. Security will be held in place until the loan is repaid in full.
6. Fees. Each party shall bear its own costs and expenses in connection with the negotiation, execution and delivery of this Agreement or any amendment of this Agreement.
7. Quarterly Requirements. The Company is required to submit to the City of Albuquerque Economic Development Department copies of its unemployment insurance reports on a quarterly basis (January 1, April 1, July 1, and October 1).
8. Effective Date and Termination. This Agreement will be effective as of execution and shall terminate no later than two years from that date.
9. Assignment by the Company. Should Advanced Optical Technologies, Incorporated move, sell, lease or transfer its ownership or operation duties in the Project before the expiration of this Agreement, the City retains the right to deny any and all assignments, sales, leases or transfers of any interest in the Project until adequate assurances are made that the transferee, assignee or lessee is a qualifying entity and that the terms of this Agreement shall be satisfied by the transferee, assignee or lessee. At its discretion, and in consultation with the State, the City may choose to deny said assignment, lease or transfer or may negotiate a new agreement with the new operator.
10. Miscellaneous. This Agreement binds and inures to the benefit of the City and Advanced Optical Technologies and their respective successors and permitted assigns. This Agreement, together with the Security Agreement and the Intergovernmental Agreement, represent the entire agreement of the parties on the subject hereof and superseded all prior agreements or understandings between the parties, whether written or verbal. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute one instrument.
11. Liability. No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Nothing herein shall operate or be deemed to alter or expand any liabilities or obligations under the applicable provisions of the New Mexico Tort Claims Act (NMSA 1978 §§ 41-4-1 *et seq.*, as amended), or to waive any immunities, limitations or required procedures thereunder. Nothing in this Agreement constitutes a waiver of any party's right to seek judicial relief.
12. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and

LEDA 20-6: Advanced Optical Technologies Project
Project Participation Loan Agreement

delivered personally, by a recognized courier service, by recognized overnight delivery service, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown below. If notice is mailed, it will be deemed received on the earlier or actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. A party may change its notice address by written notice to the other party to this Agreement.

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

Advanced Optical Technologies
Attn: Chief Executive Officer (CEO)
1451 Innovation Parkway, SE, St. 680
Albuquerque, NM 87123
Tel: (505) 250-1685
Email: malini@advanced-optical.com

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

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

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

CITY OF ALBUQUERQUE

COMPANY NAME

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

Name: Malini Hoover
Title: Chief Executive Officer

Date: _____

Date: _____

LEDA 20-6: Advanced Optical Technologies Project
Project Participation Loan Agreement

Approved by:

Synthia Jaramillo
Director, Dept. of Economic Development

Date: _____

Esteban A. Aguilar, Jr.
City Attorney

Date: _____

Exhibits

Exhibit A Application for LEDA Assistance

Exhibit B Wages and Benefits

Exhibit C Security Agreement

LEDA 20-6: Advanced Optical Technologies Project

ALBUQUERQUE DEVELOPMENT COMMISSION Local Economic Development Act Hearing

August 20, 2020

Case #2020-8

LEDA-20-6: Advanced Optical Technologies Project

REQUEST: Approval of \$214,035.00 in Local Economic Development Act (LEDA) Zero Interest Loan funds is requested.

NOTE: The State of New Mexico's Economic Development Department (NMEDD) has developed a new program during the time of the COVID-19 pandemic to assist New Mexico businesses. They have reached out across the state, and asked local communities to partner with them through the Local Economic Development Act, as fiscal agents for a State 0% Loan Program to assist businesses for expenses relating to land, buildings, and infrastructure, as required by the State Act and local ordinances. Those expenses can include lease or mortgage payments, as the City has done with projects in the past.

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

Our department and the Commission are being asked to review and recommend these projects to the City Council, as to whether they comply with the City's LEDA plan, and then the City will be the fiscal agent for the State funds. The City is relying solely on the representations made by the companies participating in the State's 0% interest loan program, and the State's due diligence in reviewing and approving these projects; the companies and the State assume responsibility for the accuracy of the information. Also, the economic impact analysis is different from what we usually use on the City's projects. We agreed to accept the analysis of the state's economic consultant/model/staff, since only State funds were involved. A copy of the company's application to the state is attached.

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

PROJECT SUMMARY:

Advanced Optical Technologies (AOT) offers multi-dimensional micro- and nano-structural material characterization, mapping, and assessment for a more complete understanding of complex materials, devices, and scenarios, and develops custom sensors for defense and commercial customers.

LEDA 20-6: Advanced Optical Technologies Project

The loan will enable AOT to stay on its pre-pandemic path and provide additional high-wage jobs in the future. Without financial assistance, AOT will lose high tech positions permanently in an innovative and cutting-edge industry which is just now ready to enter a manufacturing phase. Any reduction in headcount would be detrimental to their growth.

They are working with NMEDD to help the company sustain their New Mexico employment with the 0% interest loan program. They are requesting a \$214,035.00 loan which would be used for lease payments over the next two years. This much needed financial assistance will help AOT to maintain their current headcount and provide support for the continued growth of the business which will provide benefit to the overall local Albuquerque community.

AOT was founded in 2004 by Dr. Brian Hoover, who received a PhD from University of Michigan and has several years' experience with a small defense contractor. For the first 12 years in business, AOT was located on an Air Force base. This provided AOT intense experience with a variety of optical and laser-based material characterization and sensor development. In 2016 AOT relocated several laser laboratories into a new commercial facility.

AOT wishes to preserve its optics and laser laboratories, as they house the world's best technology, equipment, and multi-million-dollar Cooperative R&D Agreements (CRADA) equipment. The CRADA was received through the United States Air Force and Army. AOT is the custodian of the government property.

Sandia National Laboratories and AOT were matched through the New Mexico Small Business Assistance Program, which offers expertise to help solve technical challenges faced by small companies in New Mexico (https://www.nmsbaprogram.org/client_highlights/detail/103). This included projects that require testing, design consultation, access to special equipment or facilities that are not available to small businesses.

Sandia's testing verified that AOT's patented Crystallographic Polarization-Classification Imaging, or CPCI, process which is a reduction of time from hours to minutes. The new imaging process has applications in the aerospace, automotive, energy and medical industries and for 3D printing.

Partially due to Sandia's study, AOT received funding to build the system for the U.S. Air Force, which will be dedicated to titanium crystallography. CPCI process can also characterize other metals, including beryllium, magnesium, cobalt, zinc, tin and zirconium.

Below are some additional benefits of the loan:

- AOT is located in the Sandia Science and Technology Park (SSTP) at 451 Innovation Pkwy SE, Suite 680, Albuquerque NM 87123. AOT will be able to maintain its unique laboratories in the SSTP.
- AOT is poised to begin manufacturing of their patented crystallographic sensors, which will create new high-wage jobs.
- AOT is applying its material-mapping sensor to support reduction of plastic pollution in Albuquerque and the State through partnership with the local environmental charity

LEDA 20-6: Advanced Optical Technologies Project

Plastic-Free Mission (PFM). AOT and PFM are in the process of raising funds to deploy a sensor on a drone to map, monitor, and remediate plastic pollution in Albuquerque and New Mexico.

The company currently leases four suites at the 1451 Innovation Parkway SE location. The rates range and differ each year and one is a month-to-month agreement. In addition to rent, the agreement also includes a Common Area Maintenance fee. Cooperative Educational Services owns all four suites on the property.

Suite 150

	Rate PSF	Monthly Rent	Annual Rent
Months 1 - 12	\$14.50	\$2,885.50	\$34,626.00
Months 13 - 24	\$15.00	\$2,985.00	\$35,820.00
Months 25 - 36	\$15.50	\$3,084.50	\$37,014.00

Optional

	Rate PSF	Monthly Rent	Annual Rent
Months 1 - 12	\$16.00	\$3,184.00	\$38,208.00
Months 13 - 24	\$16.50	\$3,283.50	\$39,402.00
Months 25 - 36	\$17.00	\$3,383.00	\$40,596.00

Suite 680

LEDA 20-6: Advanced Optical Technologies Project

Base Rent

Lease Month 1	\$0.00	
Lease Months 2 - 12	\$15.00 per sq. ft. per annum	\$2,947.50 per month
Lease Months 13-24	\$15.50 per sq. ft. per annum	\$3,045.75 per month
Lease Months 25-36	\$16.00 per sq. ft. per annum	\$3,144.00 per month
Lease Months 37-48	\$16.50 per sq. ft. per annum	\$3,242.25 per month
Lease Months 49-60	\$17.00 per sq. ft. per annum	\$3,340.50 per month

Suite 404 & 405 (month-to-month)

Base rent for a sum of \$250 for Suite 404 and \$250 for Suite 405 per month due on the 1st day of each month.

The LEDA Zero Interest Loan will help to insure a bridge past the coronavirus disaster. The current employees are highly specialized and technical in nature. They hope to retain 3 positions. Two of the technology professionals are experts in their fields and are inventors on AOT's patents. They are the key for AOT to transition from start-up research and development to manufacturing company. The senior engineer from UNM is also a key employee to build AOT's patented instruments. As AOT enters the manufacturing phase company CEO, Malini Hoover, is leading marketing, raising funds to hire staff, and selling products and services.

Despite being a small company, AOT offers a benefit package which includes: flex time, sick time, four-week vacation leave, 10 government holiday pay and retirement.

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

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

- A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- B. A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E. of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;**

LEDA 20-6: Advanced Optical Technologies Project

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

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

The State is providing a loan in the amount of \$214,035.00 to assist the company with lease payments and maintain their employment in Albuquerque. In regard to the financial viability of the project, NMEDD has provided the following statement:

The New Mexico Economic Development Department staff has reviewed the financials of Advanced Optical Technologies and has found the following:

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

We note that there are definite strengths with this application:

1. Company demonstrates year over year growth in both sales’ revenue and profit
2. Company has low long-term liabilities
3. Company is an established developer of custom sensors for defense and commercial customers and this service will continue to be in demand after the pandemic.

We noted no weaknesses with this application.

NMEDD staff has reviewed and AOT meets the standards for approval.

FINDINGS:

1. LEDA 20-6 is a qualified project as defined by the State’s Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. AOT has a successful research and development history and a bright future manufacturing in Albuquerque; and
3. The City is willing to act as fiscal agent for the State’s 0% interest loan program for AOT; and

LEDA 20-6: Advanced Optical Technologies Project

4. LEDA 20-6 would make positive substantive contributions to the local economy and community by retaining 2 jobs; and
5. Subject to the development of acceptable Security documents, LEDA 20-6 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within 2 years; and
6. Subject to the development of acceptable Security documents, LEDA 20-6 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

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

I. PROJECT ELIGIBILITY

1. QUALIFYING ENTITY

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

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

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

- A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- B. A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E. of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;**

2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

LEDA 20-6: Advanced Optical Technologies Project

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

(A) Manufacturing firms (including intellectual property such as computer software)

(B) Projects in industry clusters listed above are particularly encouraged,

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

Advanced Optical Technologies is a minority-woman owned business that was founded in 2004. With the partnership of Sandia National Laboratories and the United States Air Force and Army, AOT maintains unique capabilities and facilities for crystallographic imaging for 3D printing, material characterization for nanotechnology, and material-mapping and assessment for defense, space, and environmental markets.

This loan program and LEDA project will help keep the technical expertise alive and working into the future for New Mexico.

II. LAND USE, PLAN AND DESIGN ELEMENTS

1. PLAN & ZONING:

The project is located at 1451 Innovation Pkwy SE, Albuquerque, NM 87123.

Legal Description: TR F-1 PLAT OF TRACTS F-1 & F-2 SANDIA SCIENCE & TECHNOLOGYPARK (A REPLAT OF TRACT F SANDIA SCIENCE AND TECHNOLOGYPARK) CONT 2.8006 AC

Acreage: 2.80

Present Assessed Value is for the full lot not just the section AOT occupies:

Tax Year	2020
Full Land Value	\$641,700.00
Agric. Land	\$0.00
Full Impv. Value	\$1,747,600.00

Taxable (1/3 Full)	\$796,354.00
--------------------	--------------

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

The zoning allows for a wide variety of non-residential uses include office, commercial research, light industrial, manufacturing, research and development, distribution, processing, and institutional uses.

The Project occupies a facility at 1451 Innovation Pkwy SE, Albuquerque, NM 87123 in the Science and Technology Park (SSTP) located near the Kirkland Airforce Base entrance at Eubank. AOT characterizes materials and develops sensors from its 5000sf facility and including 4000sf of modern laser laboratories featuring a 225sf clean room and 68' indoor laser range.

LEDA 20-6: Advanced Optical Technologies Project



The building, which includes all four suites, is owned by Cooperative Educational Services.

3. INFILL:

The project involves an existing building which has been occupied by the company for the last few years.

4. DESIGN AND CONSERVATION:

With the proceeds of the loan, AOT will be able to maintain its unique laboratories in the SSTP. Several companies such as Raytheon and Sandia National Laboratories have ended their leases or planning to move out of the SSTP park this year.

No historic properties are involved.

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

5. RENEWABLE ENERGY:

LEDA 20-6: Advanced Optical Technologies Project

The Company will not create or produce renewable energy from the facility.

III. ECONOMIC BENEFITS

6. COMPETITION:

The company has no competition in Albuquerque.

7. JOBS:

Pending approval of the LEDA Loan, the company has agreed to maintain a headcount of 2 and a monthly payroll of \$12,500.00

Local Benefit

As shown in the table below, according to the economic impact model provided by the New Mexico Economic Development Department, the City would see a net present value of approximately \$246K with the retention and potential growth of the business over the next 10 years.

Albuquerque

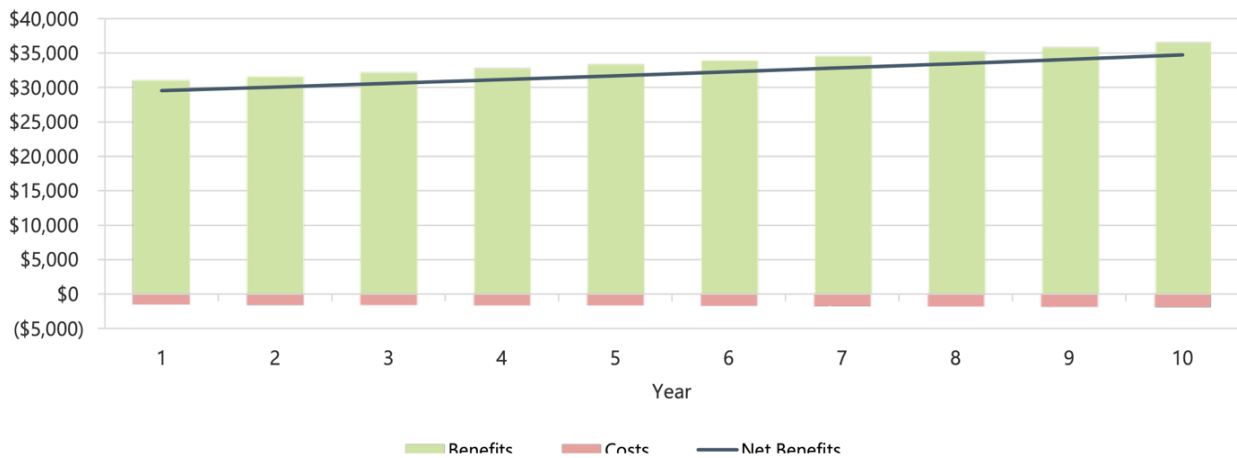
The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

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

	Amount
Gross Receipts Taxes	\$312,510
Real Property Taxes - Project	\$3,994
FF&E Property Taxes - Project	\$3,226
Property Taxes - New Residential	\$0
Utility Revenue	\$15,420
Utility Franchise Fees	\$1,988
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
<u>Subtotal Benefits</u>	<u>\$337,139</u>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$16,654)
<u>Subtotal Costs</u>	<u>(\$16,654)</u>
Net Benefits	\$320,485
<i>Present Value (5% discount rate)</i>	<i>\$245,699</i>

LEDA 20-6: Advanced Optical Technologies Project

Figure 3. Annual Fiscal Net Benefits for the Albuquerque



IV. PROJECT FEASIBILITY

9. COST/ FEASIBILITY/ FINANCING:

The company provided their financials to the State of New Mexico for review and approval. The co-owners of the company have invested \$1.5million of their own money into the company and to acquire intellectual property. They have also been approved for a \$100,000 line of credit through Well Fargo Bank. \$75,000 was awarded from the Paycheck Protection Program (PPP). The company also qualified for the Economic Injury Disaster Loan (EIDL) in the amount of \$150,000.

10. DEVELOPER'S RECORD:

AOT is manufacturing their first commercial products and Air Force prototypes simultaneously. The company has identified 4 products and 5 services to launch this September. The company will use its decade of research and development expertise and transition into product and service phases in the Fall of 2020.

Additional information is available www.advanced-optical.com.

11. EQUITY:

Based on financial information provided, the Company appears capable of managing and repaying the loan.

12. MANAGEMENT:

Co-Owners

- Malini Hoover, CEO

LEDA 20-6: Advanced Optical Technologies Project

- Brian Hoover, CTO

13. FISCAL IMPACT ANALYSIS

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

V. PROJECT PARTICIPATION LOAN AGREEMENT

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

- (1) **The economic development goals of the project;**
- (2) **The contributions of the City and the qualifying entity;**
- (3) **The specific measurable objectives upon which the performance review will be based;**
- (4) **A schedule for project development and goal attainment;**
- (5) **The security being offered for the City's investment;**
- (6) **The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) **The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

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

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

1. COMPANY CONTRIBUTION

LEDA 20-6: Advanced Optical Technologies Project

1. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.
2. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain two (2) full-time positions and a minimum of twelve thousand five hundred dollars (\$12,500.00) in monthly payroll. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.
3. The State Contribution; Procedure for Disbursement of the State Contribution. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof to be used for lease payments at 1451 Innovation Parkway, SE, Albuquerque, NM 87123 (includes suite 680, suite 150, suite 404, and suite 405). The City anticipates that the State Contribution for two hundred and fourteen thousand and thirty-five dollars (\$214,035.00) will be delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. Disbursements shall be made in eight quarterly disbursements to the Company twenty-six thousand seven hundred and fifty-four dollars and thirty-four cents (\$26,754.34). The second and subsequent disbursements shall be contingent on proof satisfactory to the City that Company's lease is current and to reimburse appropriate lease payments. The City will submit an invoice to the State to request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to the Company in the manner described above.
4. Interest. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement. However, if payroll as defined in Section 2 falls below 90%, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80%, interest on the loan will be 6% from the date of execution. If payroll falls below 70%, the loan will become immediately due and payable with accrued interest.
5. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City, and maintain during the entire term of this Agreement, equipment/inventory worth in excess of \$403,041.00, by and through the executed Security Agreement attached hereto as Exhibit C. Security will be held in place until the loan is repaid in full.

FINDINGS:

1. LEDA 20-6 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and

LEDA 20-6: Advanced Optical Technologies Project

2. AOT has a successful research and development history and a bright future manufacturing in Albuquerque; and
3. The City is willing to act as fiscal agent for the State's 0% interest loan program for AOT; and
4. LEDA 20-6 would make positive substantive contributions to the local economy and community by retaining 2 jobs; and
5. Subject to the development of acceptable Security documents, LEDA 20-6 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within 2 years; and
6. Subject to the development of acceptable Security documents, LEDA 20-6 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

STAFF RECOMMENDATION:

Based on the above findings, staff recommends approval of LEDA 20-6 as proposed in the project plan application.

Economic Development Department

APPLICATION
for
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)
Project Approval



Name of Project: Lease Payments for Advanced Optical Technologies

Location of Project: 1451 Innovation Parkway SE, Albuquerque,
NM 87123-0002

Company Name: Advanced Optical Technologies

Contact Person: Malini Hoover

Address: 1451 Innovation Parkway SE, Suite 680, Albuquerque
NM 87123

Telephone: 505-250-1685

Email: malini@advanced-optical.com

Counsel: None

Address:

Telephone:

Amount Requested:

Fee Submitted:

FOR STAFF USE

Staff Assigned:

Case Number:

Fee Received:

\$

ADC Hearing Date:

Council Dates (Tentative):

Introduction

Committee

Council Hearing



PREFACE

This Application is being submitted to the Development Commission of the City of Albuquerque for review prior to consideration by the City Council of an Ordinance for the Local Economic Development Act in accordance with Council Ordinance 0-04-10. Pursuant to those Council actions this is the first step towards the issuance of an ordinance pursuant to: the Local Economic Development Act (5-10-1 to 5-10-13 NMSA 1978 as amended); or, pursuant to the home rule powers of the City given by Article X, Section 6 of the New Mexico Constitution and the City's Charter.

The Plan contains the information required by City Council Ordinance 0-04-10 and conforms with and compliments the policies established for the Local Economic Development Act pursuant to that Council action.

The purpose of the Application is to identify the project area and to present the plan and the uses to which the LEDA proceeds will be put if issued. This Application is presented to demonstrate to the City of Albuquerque the public benefits of this project and to help the City evaluate its merit in comparison to other projects submitted. The applicant and its agent will endeavor to provide the City any additional information reasonably requested.

APPLICATION DESCRIPTION

Please prepare the LEDA application according to the following outline. Headings must be present and visible and all required information included. Please prepare the information needed for the fiscal impact analysis in the same manner but attached separately from the following outline.

I. GENERAL DESCRIPTION

Give a brief overview of the project, including general location, proposed development, use, and total amount requested. Include a statement of the benefit to be gained by the Albuquerque community from this development. The General Description should explain what will be done with the LEDA funds if approved.

The project is located at
1451 Innovation Parkway, SE, Suite 680, Suite 150 and Suite 400
Albuquerque, NM 87123

Statement of Benefit:

Advanced Optical Technologies (AOT) maintains unique capabilities and facilities for crystallographic imaging for 3D printing, material characterization for nanotechnology, and material-mapping and assessment for defense, space, and environmental markets. This loan will enable AOT to stay on its pre-pandemic path and maintain four existing high-wage jobs and provide additional high-wage jobs in the future. The LEDA funds will be used for two years of lease payments for AOT's unique laser laboratories and office space.



II. SITE AND EXISTING CONDITIONS

A. Legal Description

Give both the precise and complete legal description and address or identification of location.

The proposed project is located at 1451 Innovation Parkway, SE on the corner of Research Rd. and Innovation Parkway. The project is already built. Advanced Optical Technologies is leasing 3 separate suites in the building.

B. Prevailing Site Conditions

Describe the present use and development of the site, including any improvements, vacant land, etc. N/A



C. Present Assessed Value

Give the present assessed value according to the Bernalillo County Assessor's office. You may also list a current appraised value if you feel it will make the post-development value clearer.

N/A

D. Present and Proposed Zoning

Give the current zoning of the property. If any change in zoning is required for the proposed use, give the proposed new zone. We recommend that zoning changes required be requested before the project plan reaches the Development Commission.

N/A

E. Renewable Energy

Indicate in detail if and how the Project will create, produce or use renewable energy and renewable energy technology. N/A

III. PROJECT PLAN

A. Information Concerning Applicant

Describe the development entity - corporation, syndicate, individual, etc., and give information about the experience of the company or of significant individuals involved in the type of development or industry proposed. Include as an attachment resumes of main principals, or other information which will bear on the experience and credibility of the development entity. N/A

B. Tax Issues

Please provide a statement declaring that the applicant has no outstanding substantive federal, state or local tax issues. If, however, there are pending issues, thoroughly describe all issues and their status.

AOT has no outstanding substantive federal, state, or local tax issues.

C. Information Concerning Products and Process

Identify the products and/or processes involved with this project. Specifically address the question of whether the proposed development will generate air, noise, or waste pollution or traffic congestion. Include any plans for the reduction and disposal of waste and/or project emissions. N/A

D. Competition

Please describe any competition in the same area of commerce or industry existing in the City. Since the Development Commission and City Council do not wish to make public funds available for projects with local competition, this statement is very important.

There is no known local competition in AOT's unique fields of crystallographic imaging and material mapping.

E. Effect on Existing Industry and Commerce during and after Construction



Describe the predicted effects of the project including construction jobs generated, increased employment, increased sales, new industrial base, possible spin-off business. etc. N/A

F. Property Acquisition

Indicate if LEDA proceeds will be used to acquire real property (land and/or buildings), and whether the real property is presently owned by the applicant, or is under option. N/A



G. Description of Proposed Development

Describe any construction to be undertaken in the project, including square footage, construction type, and location of construction on the project site. Indicate whether existing buildings on the site will be rehabilitated or incorporated in the construction. Detail any demolition which will be required by the project, and indicate whether demolition involves any identified historic properties. If possible, attach a conceptual site plan and elevation (alternately, these may be presented at the Development Commission hearing). If project involves an existing facility, describe the facility.

N/A

H. Infrastructure

Indicate if Project will require any extension or relocation of utility or road systems. If additional infrastructure is required, what cost sharing agreements have been reached between the applicant and the city? None

I. Area Enhancement

Describe how project design and placement will enhance the area.

This project will help retain a local New Mexico technology company at Sandia Science and Technology Park (SSTP).

J. Local Purchasing

Please provide an estimated annual expenditure on goods and services locally procured that are subject to the New Mexico gross receipts tax, and an estimated annual increase in such an expenditure.

AOT purchases from local machine shops, patent attorneys, internet providers, digital web-design companies, rent, local optics vendors and other businesses. Overall, AOT spends approximately \$175,000 per year on local purchases.

K. Water Conservation

Estimate average daily and monthly water consumption and include any plans for the reduction or re-use of water. N/A

L. Relocation of Individuals or Businesses

No individuals, families or businesses should be displaced by the activities outlined in this plan. If any relocation is required, detail the assistance the applicant will give in relocation. N/A

M. Number and Types of Jobs Created

Identify the number and type (i.e., professional, clerical, assembly line, etc.) of permanent jobs which will be created in the project. If any existing jobs are to be retained to the project site, describe separately. Please include the wages of all positions to be created.

Four technology jobs will be retained. All four jobs are professional. Three of the full time jobs pay over \$60k per year. The fourth is a part-time internship job done by a UNM engineering student. The 2019 total payroll for 4 full time and 2 part-time (interns) was



\$266,283.

The following questions must also be answered:

- 1) What percentage of the permanent new jobs is expected to be filled by current Albuquerque area residents, as opposed to people relocated from elsewhere? N/A
- 2) Will jobs benefit low and moderate income residents? No
- 3) Will the jobs meet or exceed median wages for the industry within the community? Yes
- 4) Will the jobs match skills of current city residents? Yes
- 5) Will new employees be trained to fill the positions? Yes
- 6) What stated advancement opportunities are there?
With job training and experience the employees can move up to higher positions.
- 7) Will "Job Training Incentive Program" or other job training programs be used?
Yes
- 8) Will at least 50% of health insurance premiums be covered for employees?
Yes



N. Corporate Citizenship Policy/Plan

List any company policies/plans regarding community charitable and civic donations and volunteerism policy.

AOT is applying its material-mapping sensor to support reduction of plastic pollution in Albuquerque and the State through partnership with the local environmental charity Plastic-Free Mission (PFM). AOT and PFM are in the process of raising funds to deploy a sensor on a drone to map, monitor, and remediate plastic pollution in the city and state.

AOT supports the local Roadrunner food bank with donations.

O. Positive Contributions

List all positive contributions that the project will make to the neighborhood.

1. AOT is located in the Sandia Science and Technology Park (SSTP). By taking the LEDA loan, AOT will be able to maintain its unique laboratories in the SSTP.
2. AOT is poised to begin manufacturing its patented crystallographic sensors, which will create new high-wage jobs
3. AOT increases the diversity of the SSTP as its only minority-woman-owned company.

P. Management

Who will manage the project? Malini Hoover

If the project will be managed by someone other than the applicant, does the applicant have any long-range involvement?

IV. PROJECT FINANCING

A. Cost of Project, LEDA Funding Amount and Private Financing
LEDA Funding amount: \$210,000

Provide the total cost of the project and the amount of LEDA funds requested. The amount requested should be no more than that needed to complete the project in addition to equity or conventional financing. Also provide the amount and sources of private financing (equity or conventional financing) involved in this project; this may include the value of land and existing facilities, if relevant. N/A

B. Estimated Value After Completion

Indicate the estimated appraised value of the project after completion.

N/A

C. Feasibility

Present information to show that the project can reasonably be expected to remain viable, including sufficient revenue to liquidate any related debt, and/or maintain operations for ten (10) years. This information may be an attached pro forma, and should be sufficiently detailed to show the assumptions on which the projections are based.

However, a firm third party commitment to provide financing for the project will be considered sufficient evidence of feasibility, and no pro forma will be needed



in such cases.

N/A

D. Construction Schedule

AOT's laboratories are already built and in use by the company.

AOT is under lease with Cooperative Education Services (CES). The lease was approved by NM State Board of Finance.

AOT has three different leases in the same building with CES.

Give the date of anticipated beginning and completion of construction, if applicable. N/A

Attachments: Attach to the plan a map location of the project (you may use the base maps from the City Zone Atlas if you wish), and any other information as desired to supplement the plan. If you are attaching glossy or colored printed material, please submit 25 copies. N/A

LEDA COVID-19 Application

Applicant	Malini Hoover
Applicant ID	APP-013532
Company Name	Advanced Optical Technologies
Phone	(505) 250-1685
Email	malini@advanced-optical.com
Status	Submitted

Contact Information

Question: Legal Company Name

Advanced Optical Technologies

Question: Trade Name (dba)

N/A

Question: Project Name

AOT lease payment loan

Question: Company Street Address

1451 Innovation Pkwy SE, Suite 680

Question: Company City

Albuquerque

Question: Company State

NM

Question: Company Zip

87123

Question: Phone

(505) 250 1685

Question: Fax

Not Answered

Question: Primary Contact Person First Name

Malini

Question: Primary Contact Person Last Name

Hoover

Question: Federal Tax ID #

200820922

Question: NM State Tax and Revenue (CRS) #

03006222005

Question: City/County Business License #

COM-2020-360275

Question: NAICS Code(s)

541715, 541330, 541380, 541713, 927110

Question: DUNS #

100490890

Question: This Business is organized as a:

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

Project Information

Please include detailed information such as:

- Executive Summary; Business description and history

Question: Description of the emergency situation that requires funding.

LEDA loan will enable AOT to stay on its pre-pandemic path and maintain four existing high-wage jobs and provide additional high-wage jobs in the future. The LEDA funds will pay for two years of lease payments for AOT's unique laser laboratories and office space. AOT was founded in 2004. Spending, its initial 12 years on Kirtland Air Force base provided AOT intense experience with a variety of optical- and laser-based material characterization and sensor development. In 2016 AOT seized the opportunity to relocate several laser laboratories it had helped build to a new start-up commercial facility and expand.

Advanced Optical Technologies (AOT) maintains unique capabilities and facilities for crystallographic imaging for 3D printing, material characterization for nanotechnology, and material-mapping and assessment for defense, space, and environmental markets.

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

The funding request will pay 24 months of lease payments to our building's, landlord Cooperative Education Services (CES). CES is a partial NM state government agency. The NM State Finance Board approves all of its leases.

Question: Supporting Documentation

[Signed AOT Suite 400.pdf](#) (7/30/2020 9:31 AM)

[SSC - Advance Optical Lease Short.pdf](#) (7/30/2020 9:30 AM)

[Advanced Optical Tech Lease Suite 150 short.pdf](#) (7/30/2020 9:29 AM)

Financial Information

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

[AOT 2019 Profit & loss Report.pdf](#) (7/30/2020 9:15 AM)

[AOT Balance Sheet.pdf](#) (7/30/2020 9:15 AM)

[AOT Statement of Cash Flow.pdf](#) (7/30/2020 9:14 AM)

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

☐ Security Interest/Lien

☒ Letter of Credit

☐ Mortgage Security

- ☐ Security Agreement/Escrow
- ☐ Security Agreement/Lien
- ☐ Security Interest/Equipment
- ☐ TBD

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

There will two collateral of security for the loan.

1) Letter of Credit of \$100k from Wellsfargo will be given.

2) The rest of the collateral will be in business equipment. Both Purchase price and the current value at the sale will be given.

Question: What is the equity investment from the applicant?

\$1,500,000.00

Question: External Equity Investment Sources

None

Question: External Equity Investment Amount

\$0.00

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

Wells Fargo Bank, Commercial, Approved

Question: Bank Loans Amount Total

\$100,000.00

Question: Other Loans Source

PPP

Question: Other Loans Amount

\$75,000.00

Question: Other Sources

EIDL Loan

Question: Other Sources Amount

\$150,000.00

Question: Total Loan Requested

\$210,000.00

Question: Requested Loan Duration (Months)

24.00

Company History and Background

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

16 years

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

3.00

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

Malini Hoover - 51%
Brian Hoover - 49%

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

Yes

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

No

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

None

Community Aspects

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

During this unprecedented time, AOT wants to preserve its optics and laser laboratories as they house the world's best technology, equipment, and multi-million dollar CRADA equipment, which was received from the United States Air Force and Army. AOT is the custodian of the government property.

1. AOT is located in the Sandia Science and Technology Park (SSTP). By taking the LEDA loan, AOT will be able to maintain its unique laboratories in the SSTP. Several companies such as Raytheon, Sandia National Labs etc either have ended their leases or planning to move out of the SSTP park this year. Once a vibrant technology community would become less alive if more companies follow Raytheon and Sandia Labs.
2. AOT is poised to begin manufacturing its patented crystallographic sensors, which will create new high-wage jobs
3. AOT increases the diversity of the SSTP as its only minority-woman-owned company.
4. AOT will loose four high tech jobs permanently in a technology field which is ready to enter a manufacturing phase.
5. AOT is applying its material-mapping sensor to support reduction of plastic pollution in Albuquerque and the State through partnership with the local environmental charity Plastic-Free Mission (PFM). AOT and PFM are in the process of raising funds to deploy a sensor on a drone to map, monitor, and remediate plastic pollution in the city and state.

Job Retention / Performance

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

- [Job Retention Worksheet](#)

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

Four high paid technology jobs will be retained. Two of the technology professionals are experts in their fields and are inventors on AOT's patents. They are the key for AOT to transition from start-up R&D to manufacturing company. The senior engineer from UNM is also a key employee to build AOT's patented instruments and configure them with hardware & software. As AOT enters the manufacturing phase company CEO, Malini Hoover is leading marketing, raising funds to hire staff, and selling products and services.

Question: Outline the existing pay scale and payroll.

All four jobs are professional. Two of the full-time jobs pay over \$100k per year. The third job pays over \$63k. The fourth is a part-time job done by a UNM senior engineering student from Computer Science department. AOT will like to hire the UNM engineering student full-time upon graduation. The 2019 total payroll for four full time and two part-time (interns) was \$266,283.

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

The benefits offered to the employees are flex time, sick time, four week vacation leave, 10 government holiday pay and retirement.

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

4.00

Attachments

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

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

Please download the LEDA Application Affirmation Template here:

[LEDA Application Affirmation Template](#)

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

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

[Authorization for Examination form.pdf](#) (7/30/2020 9:09 AM)

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

[AOT 2nd Quarter Wage and Contribution Report.pdf](#) (7/30/2020 9:12 AM)

Question: Officer Application Affirmation Attestation

[2019 LEDA Application Affirmation.pdf](#) (7/30/2020 9:12 AM)

Fiscal Impact Overview

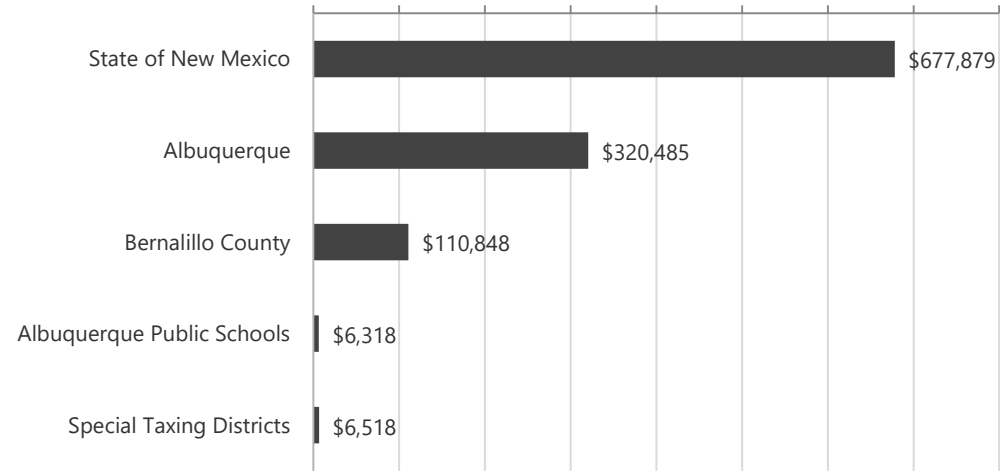
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$320,500 in net benefits over the 10-year period and the Project will generate \$1,122,000 in total for all local taxing districts.

Table 8. Fiscal Net Benefits Over the Next 10 Years for the State and Local Taxing Districts

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	\$797,608	(\$119,729)	\$677,879	\$519,325
Albuquerque	\$337,139	(\$16,654)	\$320,485	\$245,699
Bernalillo County	\$110,848	\$0	\$110,848	\$85,116
Albuquerque Public Schools	\$6,318	\$0	\$6,318	\$5,005
Special Taxing Districts	\$6,518	\$0	\$6,518	\$5,164
Total	\$1,258,432	(\$136,383)	\$1,122,049	\$860,309

* The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5% to make the dollars comparable.

Figure 1. Net Benefits Over the Next 10 Years for the State and Local Taxing Districts



ADVANCED OPTICAL TECHNOLOGIES | FISCAL IMPACT

State of New Mexico

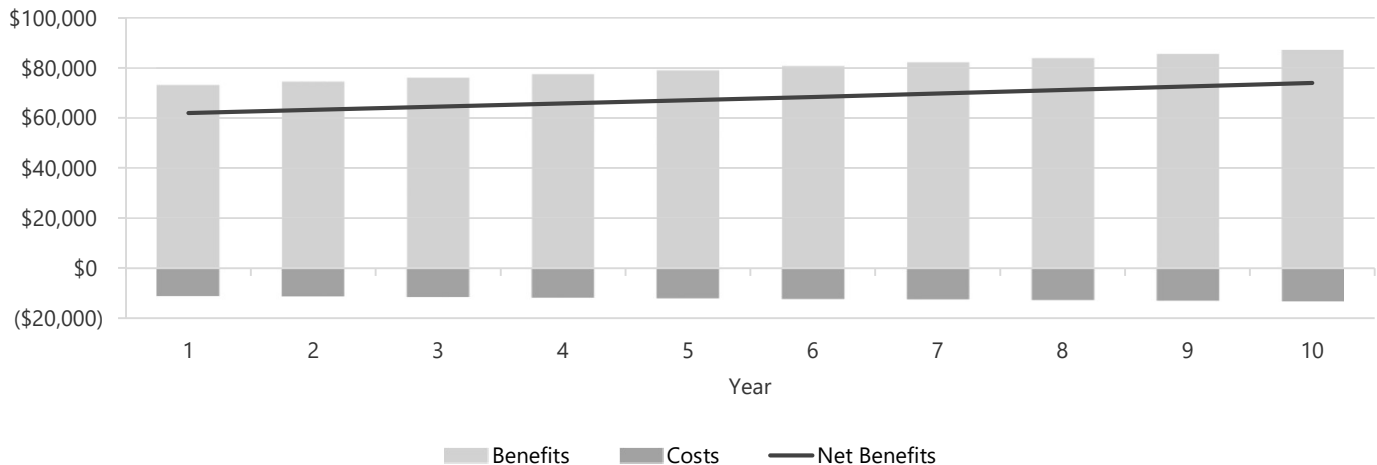
The table below displays the estimated additional benefits to be received by the State of New Mexico over the first 10 years. The project is expected to have a small effect on the statewide population and therefore some additional statewide costs to provide additional services were estimated for the state. Appendix C contains the year-by-year calculations.

Table 9. State of New Mexico: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$318,604
Real Property Taxes - Project	\$472
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Personal Income Taxes	\$168,772
Corporate Income Taxes	\$2,846
Miscellaneous Taxes & User Fees	\$306,534
<u>Subtotal Benefits</u>	<u>\$797,608</u>
Cost of Providing State Services	(\$119,729)
<u>Subtotal Costs</u>	<u>(\$119,729)</u>
Net Benefits	\$677,879
<i>Present Value (5% discount rate)</i>	<i>\$519,325</i>

Gross receipts taxes are estimated on new taxable gross receipts resulting from the project. Property taxes are estimated on the firm's property and new residential property constructed. Personal income taxes are estimated based on an effective income tax rate and the earnings of new direct and indirect workers. Corporate income taxes on the direct activity is based on the net taxable income projected by the company. Corporate income taxes on the indirect activity is estimated on a per indirect worker basis and the observed statewide corporate income tax collections per worker. To the extent that the project will result in an increase in new households in the state, additional miscellaneous taxes and user fees have been estimated for the state. Additionally, the costs to provide state services to these new households were also estimated based on recent state expenditure data as detailed in the Appendix.

Figure 2. Annual Fiscal Net Benefits for the State of New Mexico



ADVANCED OPTICAL TECHNOLOGIES | FISCAL IMPACT

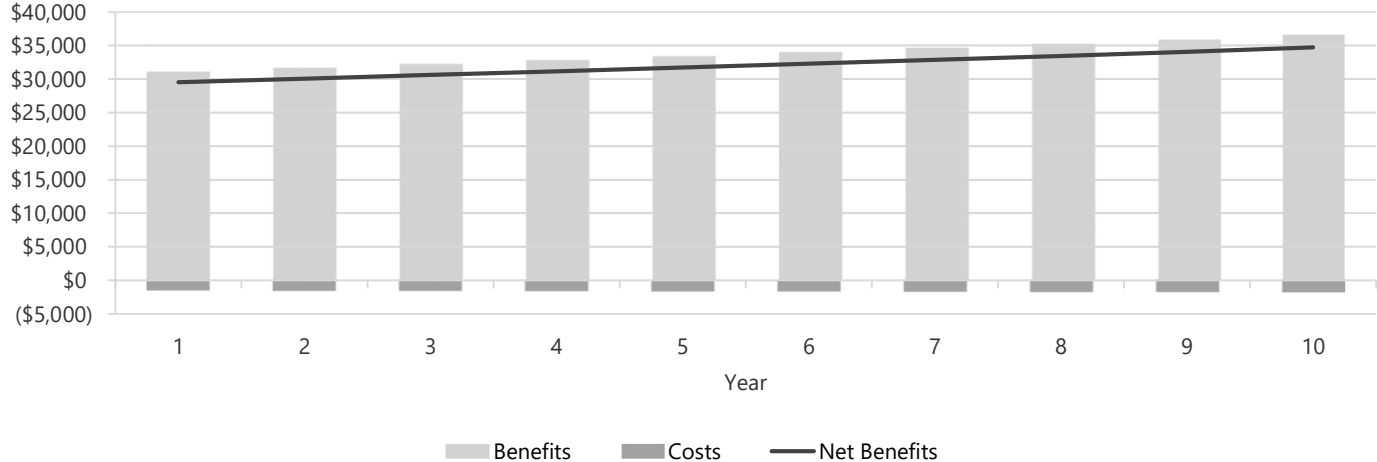
Albuquerque

The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

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

	Amount
Gross Receipts Taxes	\$312,510
Real Property Taxes - Project	\$3,994
FF&E Property Taxes - Project	\$3,226
Property Taxes - New Residential	\$0
Utility Revenue	\$15,420
Utility Franchise Fees	\$1,988
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
Subtotal Benefits	\$337,139
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$16,654)
Subtotal Costs	(\$16,654)
Net Benefits	\$320,485
<i>Present Value (5% discount rate)</i>	<i>\$245,699</i>

Figure 3. Annual Fiscal Net Benefits for the Albuquerque



LEDA 20-6: Advanced Optical Technologies Project



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

LEDA Loan Program

Purpose

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

LEDA Loan Uses

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

Loan Rates and Requirements

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

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

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

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

LEDA 20-6: Advanced Optical Technologies Project



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

Valued New Mexico Business,

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

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

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

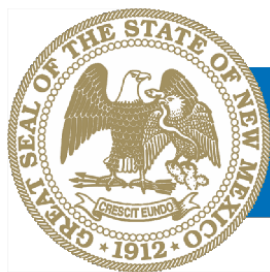
LEDA is a fund administered by the New Mexico Economic Development Department; it is a discretionary fund that can be used to offset the costs associated with land, building, and infrastructure for economic based businesses. ***Economic based business is defined as a business that manufactures or a non-retail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

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

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

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

LEDA 20-6: Advanced Optical Technologies Project



Drive Santa Fe, NM 87505-4147

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

The public process will include:

Introduction of an Ordinance
Public Hearing
Approval of the Ordinance

Fiscal Agent may add additional committee hearings

Included in the ordinance will be 3 key documents:

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

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

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

Thank you for your commitment to New Mexico.