



DRAFT SUBSTANTIAL AMENDMENT

to the State of New Mexico's

CONSOLIDATED PLAN

For Program Years 2015 through 2019

(January 1, 2015 – December 31, 2019)

National Housing Trust Fund Program

August 2016

New Mexico Mortgage Finance Authority
344 4th Street SW
Albuquerque, New Mexico 87102



DRAFT SUBSTANTIAL AMENDMENT

to the State of New Mexico's Consolidated Plan for Program Years 2015 through 2019 and the 2016 Annual Action Plan

NATIONAL HOUSING TRUST FUND PROGRAM

The New Mexico Mortgage Finance Authority (MFA) administers HUD's HOME Investment Partnerships (HOME), Emergency Solutions Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs for the State of New Mexico. The Department of Finance and Administration, Local Government Division (DFA) administers HUD's Community Development Block Grant program. MFA and DFA prepared the State of New Mexico's Consolidated Plan for Program Years 2015 through 2019 (Con Plan) the 2016 Annual Action Plan (16 AAP) that describes the proposed projects and programs that will be supported with HOME, ESG, HOPWA and CDBG funds. The Con Plan and the 16 AAP are available for review at MFA's website at <http://www.housingnm.org/resources/new-mexico-consolidated-plan>.

Purpose

The purpose of this draft Substantial Amendment to the Con Plan and the 16 AAP is to include MFA's administration of HUD's new National Housing Trust Fund Program

Background

The National Housing Trust Fund (NHTF), funded by an assessment on loans made by Fannie Mae and Freddie Mac and administered by HUD, was established under the Housing and Economic Recovery Act of 2008. On January 30, 2015, HUD published an interim rule (24 CFR Parts 91 and 93) providing guidelines for states to implement the NHTF. Each state's allocation was published on May 4, 2016, and New Mexico received an allocation of \$3 million. By August 16, 2016, MFA must submit an NHTF Allocation Plan to HUD as a Substantial Amendment to the Con Plan and the 16 AAP.

Discussion

In accordance with HUD requirements, MFA must publish the Substantial Amendment with the draft NHTF Allocation Plan for public comment over a 30-day period. MFA held a public hearing on June 20, 2016 at 10 am in the MFA Board Room. Only one member of the public attended.

The draft Allocation Plan contains the broad guidelines under which MFA will distribute NHTF funds, which will be used for the production, preservation, and rehabilitation of affordable rental housing units for families earning no more than 30% AMI. The regulations allow up to 10% of funds to be used for administrative costs, up to 10% for homeownership activities, and the remaining funds for rental housing development. The guidelines in the draft Allocation Plan are based on the NHTF regulations, HUD-issued guidance, the Con Plan and the 16 AAP, and the structure of MFA's existing housing development programs such as the LIHTC and HOME programs.

Following the public comment period, staff made any necessary revisions to the Allocation Plan and will present it to the MFA Board of Directors for approval on July 20, 2016. If approved, staff will submit it to HUD by August 16, 2016.

Upon submission, HUD's 45-day review process will begin. The Allocation Plan will be deemed approved 45 days after HUD receives the plan, unless HUD notifies MFA that the plan is disapproved before expiration of the review period.

Following HUD approval of the Allocation Plan, MFA will develop a Notice of Funding Availability that will provide greater detail on the application and selection process.

Revised Consolidated Plan Screens

The following screens in the eCon Planning Suite Consolidated Plan in IDIS were revised to include the Housing Trust Fund and HOME Rental Development allocation wording changes.

Revised Action Plan Screens

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Substantial Amendment eCon Planning Suite Screens Amendments

CONSOLIDATED PLAN		
Screen	Section	Amendment
ES-05 Executive Summary	1. Introduction	Starting in PY2016, MFA will administer HUD’s new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan .
	4. Summary of citizen participation D. Consultation Activities	MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA’s master contact listing of multifamily owners and developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.
	E. Efforts to Enhance Citizen Involvement	Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario) and on MFA’s web page, a Notice of Public Hearing seeking the public’s input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA’s allocation plan for the distribution of NHTF funds. The Public Hearing was conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.
	5. Summary of public comments	Public comments and responses for the 2016 Substantial Amendment are attached to this plan in <i>Substantial Amendment all exhibits scanned.pdf</i> .
	6. Summary of comments or views not accepted	Public comments and responses for the 2016 Substantial Amendment are attached to this plan in <i>Substantial Amendment all exhibits scanned.pdf</i> .
	7. Summary	Public comments and responses for the 2016 Substantial Amendment are attached to this plan in <i>Substantial Amendment all exhibits scanned.pdf</i> .
	PR-05 Lead & Responsible Agencies	Table 1 – Responsible Agencies
Narrative		Starting in PY2016, MFA will administer the NHTF to develop and preserve affordable rental housing statewide, serving extremely low-income (30% AMI) households.
PR-15 Citizen Participation	Narrative	Starting in PY2016, MFA will administer the NHTF to develop and preserve affordable rental housing statewide, serving extremely low-income (30% AMI) households. In addition to a June 20, 2016, Public Hearing, MFA also conducted a Focus Group meeting to which a number of potential recipients were invited. The sign-in sheet for both of the meetings is made part of this document in the attachment <i>Substantial Amendment all exhibits scanned.pdf</i> . MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA’s master contact listing of multifamily owners and

		<p>developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.</p> <p>Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario, and on MFA's web page a Notice of Public Hearing seeking the public's input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA's allocation plan for the distribution of NHTF funds. The Public Hearing will be conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.</p>
	Citizen Participation Outreach	Posted on MFA's web page on June 1, 2016.
SP-10 Geographic Priorities	General Allocation Priorities	MFA will allocate its NHTF program funds statewide to eligible applicants for the development or preservation of affordable rental housing for households with incomes at or below 30% AMI. Through consultation with the public, staff and housing administrators statewide and input from other county state and federal administrators, MFA gained consensus on its allocation plan, attached. The discussion focused on the limited amount of NHTF funds available and the need for more affordable housing for ELI households statewide. MFA's Board of Directors approved the NHTF allocation plan at its meeting of July 20, 2016.
SP-25 Priority Needs	Table 51 – Priority Needs Summary Priority Need 1 Low-Moderate income renter households	No changes to language in this section.
SP-30 Influence of Market Conditions	Market Characteristics	No changes to language in this section.
SP-35 Anticipated Resources	Introduction	Starting in PY2016, MFA will administer HUD's new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan.
	Table 53-Anticipated Resources	<i>When added to eCon Planning Suite:</i> Add National Housing Trust Fund as a Program, source is public-federal, Annual Allocation of \$3,000,000, zero program income or prior year resources, total of \$3,000,000. Expected amount available remainder of Con Plan \$12,000,000.
SP-45 Goals	Table 56-Goals Summary	Incorporate NHTF into funding for goals #1 and #5, minimum of 10 units affordable to ELI households, up to 38 units affordable to ELI households depending upon per unit costs
	Estimate number of households	Add 10 for 1 year to ELI, 40 to 5 year

ACTION PLAN		
Screen	Section	Amendment
AP-05 Executive Summary	1. Introduction	Starting in PY2016, MFA will also administer HUD's new National Housing Trust Fund (NHTF) to provide affordable rental housing units serving households with incomes at or below 30% of the area median income. MFA will allocate NHTF to eligible applicants pursuant to the State of New Mexico National Housing Trust Fund Allocation Plan.
	4. Summary of citizen participation process	MFA provided electronic copies of the Substantial Amendment and the Notice of Public Hearing to MFA's master contact listing of multifamily owners and developers, as well as to current subgrantees across programs, soliciting comments on the NHTF Allocation Plan that is the basis for the Substantial Amendment.
	Public Hearings and Meetings	Between June 1 and June 3, 2016, MFA published, in Albuquerque, Clovis, Farmington, Las Cruces, Roswell, Santa Fe and El Semanario) and on MFA's web page, a Notice of Public Hearing seeking the public's input on the draft Substantial Amendment. This Substantial Amendment sets forth MFA's allocation plan for the distribution of NHTF funds. The Public Hearing was conducted on Monday, June 20, 2016, at 10:00 am at the office of MFA at 344 4th Street SW, Albuquerque, NM 87102. Public comments were accepted through July 1, 2016.
	5. Summary of public comments	Public comments and responses for the 2016 Substantial Amendment are attached to this plan as <i>Substantial Amendment all exhibits scanned.pdf</i> .
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AP-15 Expected Resources	Table 5	Carried over from SP-35 Anticipated Resources
	Explain how federal funds will leverage those additional funds	"National Housing Trust Fund" will be added to the sentence beginning with "HOME funds are leveraged"
AP-20 Annual Goals and Objectives	Table 6 – Goals Summary	Carried over from SP-45 Goals screen.
AP-25 Allocation Priorities	Table 8 – Funding Allocation Priorities	NHTF will be added as a source, with 10% for finance multifamily new construction and 90% for Finance Multifamily Rental Acquisition and Rehab
AP-30 Method of Distribution		Carried over from SP-35 Anticipated Resources. See AP-30 below with changes related to HOME Rental Development
AP-50 Geographic Distribution		No changes to language in this section.
AP-55 Affordable Housing	Table 15	10 units added to rehab of existing units or increase to 50, total increased to 64
	Discussion	Added "\$4,730,000 in LIHTCs" to the first sentence.

AP-65 Homeless and Other Special Needs Activities		No changes to language in this section.
AP-75 Barriers to Affordable Housing		No changes to language in this section.
AP-85 Other Actions		No changes to language in this section.

AP-30 (Changes indicated in red)

6	State Program Name:	HOME Rental Development
	Funding Sources:	HOME
	Describe the state program addressed by the Method of Distribution.	Home Rental Developments funds are distributed via a competitive RFP annually along with LIHTC's. Any funds remaining after the RFP are distributed on a first-come, first-served basis throughout the year. HOME funds will be used to leverage a number of rental development resources by providing gap financing to eligible projects.
	Describe all of the criteria that will be used to select applications and the relative importance of these criteria.	<p>The priority for multifamily rental financing is for projects that will serve homeless individuals and special needs populations. HOME/Rental Development funds provide gap financing to nonprofit and for-profit developers, public and tribal entities, and CHDOs for construction, acquisition, or acquisition and rehabilitation of affordable rental housing. Units financed with HOME funds must be affordable to households earning at or below 60 percent of the area median income adjusted for family size, and awards may be further restricted by other federal funding limits. HOME funds will be used to fill the gap between the cost of development and other sources of funding. To the extent projects are able to carry senior market-rate debt; HOME dollars will be reduced accordingly to maximize their efficiency. Projects must have demonstrated financing gaps and will be subject to underwriting standards that, among other criteria, verify that HOME funds are needed and will enhance affordability. Market studies, or other evidence of market need, are required at MFA's discretion. MFA accepts and review applications on a continuous basis.</p> <p>Additional CHDO set-aside funds are also available to projects meeting these guidelines and developed, sponsored, or owned by certified CHDOs. MFA sets aside 15 percent of its HOME allocation for CHDO development projects. Applicants are encouraged to produce units that are energy efficient with low water usage. MFA will also seek to coordinate funding to promote energy efficient upgrades in affordable housing developments. These awards will be in the form of below-market rate debt. Exceptions may be made for transitional and permanent rental housing, single room occupancy units (SROs) and group homes targeted for populations at or below 30 percent of the area median income. Staff may determine limits on the amount of funds available on an annual basis that will be awarded as grants versus loans. If the majority of HOME/Rental funds are drawn prior to completion and lease-up, guaranties by entities acceptable to MFA are required.</p>

<p>Describe how resources will be allocated among funding categories.</p>	<p>The HOME Rental Development program includes two components: HOME/LIHTC and HOME/Rental Incentives. HOME/LIHTC funds apply to projects that are simultaneously awarded federal Low Income Housing Tax Credits (LIHTC) for new construction, acquisition and rehabilitation, or refinancing and rehabilitation of affordable rental housing in MFA’s annual competitive round. Projects using HOME funds in conjunction with the tax credit program must meet all the conditions and requirements set forth in the applicable Qualified Allocation Plan (QAP). HOME funds will be awarded on the basis of tax credit scoring until all HOME funds allocated for this purpose have been awarded. Based on availability of funds, HOME/LIHTC awards may not exceed the lesser of (a) \$15,000 per residential rental unit (i.e. manager’s units do not count) for CHDOs/\$7,500 for non-CHDOs, (b) \$600,000 per project for CHDOs/\$400,000 for non-CHDOs or (c) 80 percent of the project’s total development costs. Award amounts and payment structures will be determined by the debt capacity of the individual project, and underwriting terms used to determine principal and payment amounts will meet the standards adopted for the LIHTC and HOME programs. Preference will be given to projects having a CHDO as developer, owner or sponsor. A non-profit cannot partner with another entity and obtain CHDO status. MFA only designates non-profits as CHDOs if they meet all HOME requirements and qualify for CHDO set-aside funds. See MFA’s CHDO Policy for more detail at: http://www.housingnm.org/developers/community-housing-development-organizations-chdo.</p> <p>A separate pool of HOME funds, HOME/Rental Incentives, cannot be used for projects that receive a competitive allocation of tax credits, although projects receiving tax credits associated with private activity bond volume cap (i.e. four percent credits) are eligible. Based on availability of funds, HOME/Rental Incentive awards may not exceed the lesser of (a) \$15,000 per residential rental unit (i.e. manager’s units do not count) for CHDOs/\$7,500 for non-CHDOs, (b) \$1,000,000 per project for CHDOs/\$800,000 for non-CHDOs, or (c) 80 percent of the project’s total development cost.] The primary mortgage may be derived from tax-exempt bonds, 501(c)3 bonds, conventional loans or other sources, and award amounts and payment structures will be determined by the debt capacity of the individual project. Applications for these HOME funds will be accepted and reviewed on a continuous basis until all HOME funds allocated for this purpose have been awarded. Preference will be given to projects having a CHDO as developer, owner or sponsor. A non-profit cannot partner with another entity and obtain CHDO status. MFA only designates non-profits as CHDOs if they meet all HOME requirements and qualify for CHDO set-aside funds. See MFA’s CHDO Policy for more detail at: http://www.housingnm.org/developers/community-housing-development-organizations-chdo.</p>
<p>Describe threshold factors and grant size limits.</p>	<p>See above</p>
<p>What are the outcome measures expected as a result of the method of distribution?</p>	<p>Finance Multi-family Rental Housing New Construction <i>Availability/Accessibility:</i> The number of eligible households that benefit from new rental construction <i>Affordability:</i> The number of affordable rental housing units that have been financed <i>Sustainability:</i> The number of affordable rental housing units that have been added to the affordable rental housing stock</p> <p>Finance Multi-Family Rental Acquisition and Rehabilitation: <i>Availability/Accessibility:</i> The number of eligible units that have benefited from rental rehabilitation <i>Affordability:</i> The number of rental units that have undergone rehabilitation and remain affordable <i>Sustainability:</i> The number of units that have been rehabilitated and become additions to the affordable rental housing stock</p>

2016 Substantial Amendment to the New Mexico Consolidated Plan

Public Comments and MFA Responses

Received from Hank Hughes, Executive Director, New Mexico Coalition to End Homelessness on 6/20/16 at 12:07 PM MFA Responses follow each item in RED.

1. We suggest that you add language specifying that rents will be no more than 30% of household income. That way, we know the units will be affordable even to those with very low incomes. This could be done in several ways such as setting rents at 15% of AMI for people who are homeless or disabled or by using vouchers that ensure rent is no more than 30% of a household's income.

MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a focus group meeting with interested developers, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.
2. Projects that serve the elderly and frail elderly, housing for persons with severe mental illness, housing for persons with disabilities, housing for persons with alcohol and other addictions, housing for persons with HIV/AIDS, housing for victims of domestic violence and housing for homeless persons should have **high priority**, rather than medium priority.

MFA Response: MFA agrees, and this criterion has been moved to high priority.
3. Instead of giving priority just to projects that have project-based vouchers; MFA should broaden this item to give priority to projects that are able to leverage any other resources. That way, projects that figure out other resources to keep their units affordable will be as competitive as those with project-based vouchers.

MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a focus group meeting with interested developers, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.
4. MFA should create a new "medium" priority for projects that use innovative methods to create new affordable housing units. That creates an incentive for projects to increase the overall supply of affordable units for very low income households.

MFA Response: Creation of new units serving ELI families is already part of the "medium" priorities listed in the *State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT)* attached as part of "CON PLAN all exhibits scanned.pdf"
5. MFA should create a new "high" priority for projects that have low barriers to entrance. Low barrier projects are those that do not bar people from entering who have criminal backgrounds, bad credit, low incomes or people who do not want to participate in services.

MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a focus group meeting with interested developers, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.
6. The reference to transitional housing should be changed to permanent housing since transitional housing is not an eligible expense according to our sources.

MFA Response: Commenter was correct, the State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT) attached as part of "CON PLAN all exhibits scanned.pdf," Paragraph 2. Eligibility Requirements, the word "transitional" has been changed to "permanent."

Received from Lisa Huval, Associate Director, New Mexico Coalition to End Homelessness, May 12, 2016, 11:17 am. These comments were received before the draft NHTF Allocation Plan was released for public review.

1. The funds should be reserved for rental housing projects for extremely low income (ELI) households. This way funds are targeted to those who most need the assistance.
MFA Response: The State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT) attached as part of "CON PLAN all exhibits scanned.pdf" under Paragraph 4, Selection Criteria contains the requirement that eligible activities are "production, preservation and rehabilitation of affordable rental housing units for extremely low-income (ELI) families" as suggested. The Interim Rule states:

Income Targeting- § 93.250 The HTF sets income targeting requirements based on the annual amount of HTF funds available.

- In any fiscal year in which the total HTF funds available are less than \$1 billion, the grantee must target 100 percent of its HTF funds for the benefit of ELI families or families with incomes at or below the poverty line, whichever is greater
2. In order to assist extremely low income households the plan point system should encourage projects to be affordable at 30% of the households income, since rents based on 30% of AMI or 30% of federal poverty level are still out of reach for many people with disabilities. Another way of getting at this is for the plan to give extra points to projects that target people at 15% of AMI.
MFA Response: "MFA will also investigate the feasibility of including additional selection criteria in the NOFA." The first step is to conduct a focus group meeting with interested developers, non-profit agencies, homeless services providers and others to gather their suggestions for how the NOFA for the National Housing Trust Fund will be released to New Mexico.
 3. The period of affordability should be made as long as possible which might be 45 or 50 years.
MFA Response: 4 The DRAFT Allocation Plan, Paragraph 4, Selection Criteria states:

All projects must meet the following threshold criteria:

- NHTF-assisted units must provide permanent rental housing for ELI families;
 - NHTF-assisted units must remain affordable to ELI families for at least 30 years;
 - The applicant must certify that NHTF-assisted units will comply with all NHTF requirements;
 - The project must be financially feasible.
4. The plan point system should encourage projects that serve people with special needs such as people with disabilities and people experiencing homelessness.
MFA Response: 4 The DRAFT Allocation Plan, Paragraph 8, Limitation on Beneficiaries or Preferences states:

Owners of NHTF-assisted projects may (but are not required to) limit occupancy to, or provide preference to, the following populations:

- Homeless families or individuals;
- Individuals with disabilities;
- Individuals with severe mental illnesses;
- Individuals with alcohol and other addictions;
- Individuals with HIV/AIDS;
- Victims of domestic violence;
- Seniors;
- Veterans;
- Individuals on public housing waiting lists;
- Youth transitioning out of foster care;
- Ex-offenders.

5. The plan point system should encourage nonprofit developers.

MFA Response: The DRAFT Allocation Plan, Paragraph 2, Eligibility Requirements states: Eligible recipients include nonprofit entities, for-profit entities, public housing agencies and tribally designated housing entities that have demonstrated experience and capacity to conduct eligible activities and that meet the requirements of 24 CFR 93.2.

6. The plan should allow for operating cost assistance to the properties developed as a way of keeping the rents affordable.

MFA Response: The DRAFT Allocation Plan, Paragraph 2, Eligibility Requirements states: Eligible costs are the following: development hard costs, refinancing costs, acquisition costs, related soft costs, operating cost assistance/reserves and relocation costs, as defined in 24 CFR 93.201.

7. The plan point system should encourage projects with low barriers to entrance. Low barrier projects are those that do not bar people from entering who have criminal backgrounds, bad credit, low incomes or people who do not want to participate in services.

8. In order to encourage the creation of new affordable housing the plan point system should encourage projects that do not use other operating subsidies such as Housing Choice Vouchers. This makes using some of the Trust Fund money for operating support important.

MFA Response: The DRAFT Allocation Plan, Paragraph 2, Eligibility Requirements states: Eligible costs are the following: development hard costs, refinancing costs, acquisition costs, related soft costs, operating cost assistance/reserves and relocation costs, as defined in 24 CFR 93.201.

9. The plan should allow for a variety of types of developments including projects that use tax credits and very small projects that might be useful in smaller communities around the state.

MFA Response: The DRAFT Allocation Plan, Paragraph 1, Distribution of Funds states: Projects may include transitional permanent housing for the homeless, Single Room Occupancy (SRO) projects, senior projects and other special needs projects. Dormitories and transient housing (e.g. emergency shelters for homeless persons and families) are ineligible. Given the high need for rental housing among ELI families and individuals, MFA does not intend to fund any homebuyer activities in the first year of the program but will revisit the feasibility of funding homebuyer activities in the future.