2010 State of New Mexico Action Plan

For the U.S. Department of Housing and Urban Development State Formula Grants:

Community Development Block Grant

HOME Investment Partnership

Housing Opportunities for Persons with AIDS Grant

And the Emergency Shelter Grant

Produced in cooperation with the State of New Mexico Department of Finance and Administration, Local Government Division

MFA

Housing New Mexico

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State of New Mexico One-Year Action Plan For the Program Year 2010

Executive Summary

The State of New Mexico is required by the U.S. Department of Housing and Urban Development (HUD) to prepare an Action Plan for Housing and Community Development annually. Timely completion of the Plan in a HUD-acceptable format helps ensure continued funding of housing and community development activities throughout the State. In 2005, the State of New Mexico prepared its Five-Year Consolidated Plan, covering the program years 2006-2010. The State's 2006-2010 Consolidated Plan contains information about demographic, economic, and housing market trends in the State; analysis of statewide affordable housing needs; findings from the citizen participation process; and an analysis of the needs of special populations. Since the publication of the State's Consolidated Plan the United States has experienced a major economic upheaval triggered by the housing bubble, the collapse of available credit and reflected in a national foreclosure crisis. The housing sector is faring better in New Mexico than in other states but housing construction is virtually at a standstill and is no longer contributing as many jobs and tax revenue to the local economy as it did even two years ago. However, the need for affordable housing in New Mexico remains acute. Next year, the State of New Mexico and MFA will start the planning process for a new five year consolidated plan with updated data and extensive public input. It represents an opportunity to thoroughly analyze what the long term effects of the present crisis are for New Mexico. Because changes this year would be piecemeal and not comprehensive, the goals in this Action Plan remain the same as in the 2006-2010 Consolidated Plan with the understanding that next year significant changes could result based on a through analysis and broad based public outreach.

The following represents the 2010 One-Year Action Plan for allocating the State's federal block grant funds to address housing and community development needs. In order to make the document more informative for citizens and more useful for policy makers and those engaged in the production of affordable housing, the document describes actions and activities to be undertaken with resources beyond the federal grant programs and by organizations other than those administering the federal grant programs. It is intended to represent a comprehensive Action Plan for affordable housing and community development activities statewide. The goals and activities identified here can by no means be accomplished through the use of the federal grant programs alone. Where possible, the plan specifies those actions or activities that are expected to be undertaken with other resources as well as the related outcomes expected to be achieved; however, since many of these other resources are more flexible than the federal grant programs, it is difficult to estimate how these resources may be utilized. In addition, the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery & Reinvestment Act of 2009 (ARRA) have made new resources available for affordable housing and community development the State. However, they represent a one time source of funding to deal with specific areas of need and do not represent a sustainable source of funds for a long term affordable housing or community development strategy.

Resources Expected to be Available

Housing and community development resources are expected to be available to the State of New Mexico through the US Department of Housing and Urban Development (HUD) under four federal block grant programs. These block grants include the Small Cities Community Development Block Grant (CDBG), Home Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). The HOME, CDBG, and NSP programs will produce program income that will also be available for housing and community development activities in the State. However, at this point in time it is impossible to predict with any degree of accuracy the amount that will be available in NSP program income. In addition, several HUD-funded competitive grants are also available. It is expected that the New Mexico Mortgage Finance Authority and its partner agencies will compete for additional resources under the Supportive Housing Program (SHP), Shelter Plus Care (S+C), Rural Housing and Economic Development (RHED), Section 811 Housing for Persons with Disabilities, Section 202 Housing for the Elderly, and Housing Counseling. Many programs leverage their resources with other HUD funding sources that they receive directly such as the FHA Multifamily Housing Finance Agency Pilot Program under section 542(c) of the Housing and Community Development Act of 1992, The Self-Help Homeownership Opportunity Program and the Native American Housing Assistance and Self-Determination Act of 1996. The State of New Mexico has received $19.6 million under the Neighborhood Stabilization Program (NSP) which was distributed to the City of Albuquerque, the City of Santa Fe, the City of Las Cruces and the MFA to acquire, finance and rehabilitate foreclosed properties

Additional federal resources include Mortgage Revenue Bonds (MRBs) and Low Income Housing Tax Credits available from the IRS, Weatherization Assistance awarded by the Department of Energy and resources available to rural areas through several programs funded by the US Department of Agriculture. These rural development programs include: Guaranteed Rural Housing Program, Section 502 Direct Loan Program, Section 504 Loan/Grant Repair Program, Section 514/516 Farm Labor Housing Program and Section 515 Rural Rental Housing Loan Program. As part of the ARRA program, MFA received an allocation of Tax Credits from the IRS in the Tax Credit Exchange Program, $6,778,653 under the Homeless Prevention and Rapid Rehousing Act (HPRRA), $13,876,558 in Tax Credit Assistance Program funds, and $26,855,604 from the Department of Energy under the weatherization program.

Other nonfederal resources expected to be available include resources from the MFA Housing Opportunity Fund and General Fund, taxable bonds, 501(c)3 bonds, the State Affordable Housing Tax Credit Program, the New Mexico Housing Trust Fund and possibly State appropriations. MFA receives money from PNM, the state's largest utility, for energy efficiency measures and money from Excel Energy for refrigerator replacement. MFA has established a charitable trust that can receive and lend money to foster more affordable housing in New Mexico. Under the State Affordable Housing Act, capital outlay money from the New Mexico State Legislature can be used for affordable housing activities as long as the use of the funds is consistent with the Act and its implementing regulations and all applicable local regulations. When the funds become available, they are appropriated to DFA to transfer to MFA for distribution. The State is facing a significant budget shortfall and MFA does not expect to receive the same level of state appropriations as they have in the past.

Federal Funding Sources Covered in 2010 Action Plan:	
Small Cities CDBG Allocation	$15,504,021
CDBG Carry Forward	
CDBG Program Income	
HOME Formula Allocation	$8,151,446
HOME Program Income	$850,000
Emergency Shelter Grants	$727,475
Housing Opportunities for Persons with Aids	$593,314
Total HUD Sources Covered under 2010 Action Plan	**$25,826,256**
Other Federal Funding Sources	
DOE Weatherization Program	$1,714,483
LIHEAP	$3,437,826
HUD Training and Technical Assistance	$50,000

542 C Risk Share Loans	$6,000,000
Rural Housing and Economic Development	$300,000
HUD Housing Counseling	$160,000
Tax Exempt Mortgage Revenue Bonds	$200,000,000
Low Income Housing Tax Credits 4% and 9%	$54,000,000
Multi-Family Taxable and Non-taxable Bond Cap	$35,000,000
Total Other Federal Funding Sources	**$300,662,309**
Subtotal Federal Funding Sources	**$326,488,565**
Non-Federal Funding Sources:	
State of New Mexico Weatherization	$527,800
State of New Mexico LIHEAP	$7,500,000
State of New Mexico Homeless	$1,500,000
Land Title Trust Fund	$50,000
Xcel Energy Program	$140,000
PNM Energy Efficiency Program	$830,500
State Housing Tax Credit	$3,800,000
NM Housing Trust Fund	$2,000,000
Subtotal Non-Federal Funding Sources	**$16,348,300**
Total Sources of Funds	**$342,836,865**
Funding Uses for HOME, CDBG, HOPWA, ESG	
CDBG Administration	
CDBG Community Development Activities	
HOME Administration	$814,165
HOME Down Payment Assistance	$543,096
HOME Single Family Rehabilitation	$2,329,736
HOME Single Family Development	$834,425
HOME Multi-Family Development	$2,485,928
CHDO Operating	$407,082
CHDO Development	$1,221,247
HOME Research & Development	$33,269
Tenant Based Rental Assistance (TRBA)	$322,800
Sub-Total for HOME Funds	$8,991,648
Emergency Shelter Grants	$726,698
HOPWA	$552,442
CDBG (Non Housing)	
Total Uses for HUD funds included in 2010 Action Plan	**$19,262,536**
Other Funding Uses	
Homeless	$1,500,000
Single Family Rehab	$300,000

Capacity Building	$410,920
Single Family Development	$5,000,000
Home Ownership	$240,000,000
Multi Family Development	$60,000,000
Weatherization	$20,078,411
Housing Counseling	$277,500
Training and Technical Assistance	$50,000
Total Other Funding Uses	**$327,616,831**
Total Uses of Funds	**$346,879,367**

General

Geographic areas where assistance will be directed. MFA administers the HOME, ESG and HOPWA HUD block grants. These grants are eligible for allocation statewide except for the entitlement communities of Albuquerque and Las Cruces which receive HOME funds directly and Albuquerque, which receives ESG funds directly. As the State's housing finance agency, the New Mexico Mortgage Finance Authority (MFA) directs available resources for affordable housing to each of the 33 counties in the state. The actual amount of resources that is invested in an area in any one year depends upon several factors. Certain funding sources have specific geographic targets resulting in differences in funding availability. The capacity to build housing and therefore the delivery system for investing in affordable housing varies substantially among communities in New Mexico. Further, the housing and community development needs also differ significantly throughout the state.

The Department of Finance (DFA) Local Government Division, which administers the small cities Community Development Block Grant (CDBG) program, will make funding available to all areas of the state except for the HUD entitlement communities, currently the cities of Albuquerque, Las Cruces, Santa Fe, Rio Rancho and Farmington.

Basis for allocating investments geographically. Funding for the State's HUD housing block grants is allocated geographically based on three considerations: 1) requirements of the funding source; 2) relative priority need for various types of housing activities and their associated costs; and 3) local support and local capacity to deliver services.

MFA determines high priority counties which receive scoring preferences on applications for funds. The prioritization is based on the following characteristics: population, poverty level, rate of homeownership, housing cost burden, population growth and housing conditions based on the most current reliable government data available. These priorities change from year to year based on the most current census updates.

Housing priorities. The following five housing priorities were identified during the Consolidated Plan process and will guide the use of MFA administered HUD funding in 2010:

Priority Number 1: Increase opportunities for homeownership.

Priority Number 2: Preserve the State's existing affordable housing stock.

Priority Number 3: Expand the supply of housing and services to assist the homeless.

Priority Number 4: Expand housing opportunities and access for special needs populations.

Priority Number 5: Expand the supply of decent affordable rental housing.

In accordance with HUD guidance, MFA has designated their activities to the national HUD objectives as follows:

Down payment Assistance:
Objective: Providing Decent Affordable Housing
Outcome: Affordability

Multi-Family New Construction:
Objective: Providing Decent Affordable Housing
Outcome: Availability/Accessibility

Multi-Family Acquisition/Rehabilitation:
Objective: Providing Decent Affordable Housing
Outcome: Affordability

Single Family New Construction:
Objective: Providing Decent Affordable Housing
Outcome: Availability/Accessibility

Single Family Acquisition/Rehabilitation:
Objective: Providing Decent Affordable Housing
Outcome: Affordability

HOPWA:
Objective: Creating Suitable Living Environments
Outcome: Availability/Accessibility

ESG:
Objective: Creating Suitable Living Environments
Outcome: Availability/Accessibility

TBRA:
Objective: Providing Decent Affordable Housing
Outcome: Availability/Accessibility

DFA has one CDBG funding round, with an application submittal due date for 2008 funding on December 14, 2007.

Managing the Process

The lead agency for preparing the State of New Mexico 2010 Action Plan is the New Mexico Mortgage Finance Authority (MFA). MFA administers the State's HOME, ESG and HOPWA grants. MFA partners with DFA in a collaborative effort to produce the Action Plan. CDBG is administered by the Department of Finance and Administration (DFA), Local Government Division.

Citizen Participation

<u>Citizen participation process</u>. The development of the 2010 Action Plan was guided by public input gained during a series of outreach meetings that the State of New Mexico hosted around the state to educate the public on stimulus funding. The State Citizen Participation Plan requires that local governments applying for Community Development Block Grant funds have adopted and have adhered to a Citizen Participation Plan which has been approved by the Department of Finance and Administration, Local Government Division.

Citizen comments. MFA in partnership with DFA conducted a public hearing via webcast in Albuquerque on October 13, 2009. The public hearing was advertised in the Albuquerque Journal and the Santa Fe New Mexican. The public comment period for this State of New Mexico 2010 Draft Action Plan extended from October 6, 2009 through November 4, 2009. The written comments and responses are included in the appendices.

Institutional Structure

Activities aimed at improving the institutional structure include the following:

Training and technical assistance program. Under the Training and Technical Assistance Program, MFA currently partners successful industry professionals with organizations which are interested in developing, owning and or managing affordable housing. This relationship allows the new agency to learn in a hands-on-manner, with the help of the experienced professional, the development process, everything from site identification and acquisition, to predevelopment, to acquiring financing to completion of construction. In this manner, MFA leverages the skills and talents of those who know and have been successful in the process with those who are learning. This creates more capacity at a reasonable cost while providing valuable networking opportunities for all participants. MFA hosts the Governor’s Biennial Housing Conference and at this conference, formal training courses are offered and participants are afforded many opportunities for networking with other housing professionals.

The MFA Training and Technical Assistance Program is prepared to provide group training for various programs funded with federal and other funds on an as needed basis. These training sessions will include certifying nonprofit organizations to participate in the Payment$aver program, as well as providing application training for the HOME/Tax Credits program, transitional and supportive services programs, Responses to Requests for Proposal Training and Environmental Review. Additional training may include specific hands on training based on specific needs as determined by MFA. Training also addresses program requirements and processes. Lender Training, available through our Homeownership Department, is designed to assist lenders and other industry professionals in the program requirements of our loan products. This training is held statewide a number of times during the year.

MFA staff members will also meet with program participants and sub-recipients throughout the year to provide technical assistance that may include mentoring by other housing organizations or units of local government. MFA will provide tailored training to partners around the state on an as needed basis.

Under the legislation that resulted in the enactment of the State Affordable Housing Act, local governments are required to have adopted an affordable housing plan and to have passed a local ordinance. MFA developed the administrative requirements under the act including minimum standards for local housing plans. MFA provides technical assistance to local governments in the creation and development of their affordable housing plans including needs analyses and will also provide technical assistance for the revision of an existing plan.

Housing services directory. MFA updates a web based statewide directory of housing and transitional and supportive service providers on an ongoing basis. The directory includes all types of affordable housing organizations and is indexed by service area, housing services provided and supportive services provided. The directory is available on MFA’s web site at www.housingnm.org.

State of Housing Report. MFA publishes a periodic State of Housing Report that includes information about changes in the housing markets, economic and demographic trends, homeownership and rental housing and provides an analysis of affordable housing challenges. Frequency of publication is based on availability of new data, predictability of trends, and public policy initiatives.

Support for the New Mexico Coalition to End Homelessness. MFA continues to provide support and technical assistance for activities undertaken by the New Mexico Coalition to End Homelessness. The Coalition is an inclusive group made up of representatives from various state and nonprofit agencies dealing with homelessness and related issues. With MFA's support, the Coalition has renewed its contract with its full-time Executive Director. Services the Coalition provides include:

- Developing a Statewide strategy;
- Implementing a financial plan that will lead to self-sufficiency;
- Developing an information sharing network among homeless service providers;
- Providing technical assistance and coordinating educational activities for member service providers;
- Developing the Continuum of Care competitive grant application on behalf of the State;
- Conducting an educational campaign; and
- Creating a statewide low-income rental housing development organization.

Homeless Management Information Systems (HMIS). A directive from Congress via the Housing and Urban Development Department (HUD) established the criteria to begin collecting information on homeless individuals in 2004. To that end, the New Mexico Homeless Management Information System (NM HMIS) Project is a joint project of the New Mexico Coalition to End Homelessness (NMCEH), the New Mexico Mortgage Finance Authority (MFA), and the City of Albuquerque. The NM HMIS includes the state's two Continuums of Care – Albuquerque and Balance of State. The NMCEH, located in Santa Fe, is the lead agency for HMIS and provides staff to manage the HMIS project, train users, and conduct data analysis. The MFA has been the system administrator and has a contract with VisionLink to use its HMIS software package called Tapestry. The City of Albuquerque Department of Family and Community Services provides additional support for the NM HMIS project. This data management system collects information on the homeless community including the number of unduplicated clients, the kinds and types of services provided, etc. Information collected will be used by communities to make informed decisions and develop appropriate services for each segment of the homeless population.

Housing Data Bank. MFA is working on the creation of a new statistical housing databank that will give information on rent reasonableness for housing units in New Mexico. MFA is also working with UNM's Bureau of Business and Economic Research to collect data on colonias.

Use of advisory and oversight committees. MFA receives input several times per year from a number of external advisory and oversight committees made up of representatives from various housing-related industries, political parties and geographic areas of the state to advise and comment on activities undertaken with federal dollars. These committees include the Mortgage Finance Authority Act Legislative Oversight Committee, the New Mexico Housing Advisory Committee, the New Mexico Trust Fund Advisory Committee, the NM Energy$mart Policy Advisory Committee, the Land Title Trust Fund Advisory Committee and the Tax Credit Allocation Committee. MFA will continue to work with and consult with these committees regarding activities undertaken or proposed changes in activities to be undertaken throughout the tenure of this plan.

Oversight of Regional Housing Authorities. MFA has been assigned the co-responsibility of oversight of the New Mexico Regional Housing Authorities. As part of this oversight responsibility MFA insures operational, financial and programmatic compliance for all regional housing authorities. This includes board appointments, approval of the executive directors, approval of operating budgets and insuring that past and current audits are completed. MFA provides technical assistance to enhance the overall capabilities and expand the housing development capacity of housing authorities throughout the state

MFA is in the process of creating a strong regional housing authority to serve the north and northwestern parts of the State.

Research and development. MFA allocates staff time to the research and development of new programs. These initiatives have included: coordinating funds for housing rehabilitation, particularly HOME and CDBG funds; identifying ways to subsidize or otherwise encourage energy efficiency upgrades by coordinating with utility companies; researching new financing products for reaching underserved populations, especially residents of land grant communities; identifying ways to increase the number of qualified contractors and certified lead-based paint abatement contractors; identifying funding sources for minor and emergency repair, weatherization and accessibility improvements; developing a land banking program; and researching ways to maintain the affordability of existing expiring use or troubled rental properties. MFA has expended considerable staff resources on researching how to implement green changes in the development of new affordable housing and also in retrofitting existing affordable housing. While the majority of resources dedicated to research and development will be staff time, a portion of HOME and other funding sources will be available to provide trial or pilot projects in order to test the viability of new ideas. Funds under the Research and Development category are expended on eligible HOME Program activities in HOME-eligible jurisdictions to address the housing needs of low- and very low-income New Mexicans at the MFA's discretion.

Monitoring

HOME, ESG and HOPWA monitoring. MFA's Community Development monitoring staff is highly skilled in monitoring all program requirements, including beneficiary income qualification, habitability standards, financial capability, adherence to program regulations and environmental clearance procedures. The staff continues to hone its' skills by participating in program specific training provided by HUD. This includes passing scores in the *Certified HOME Specialist – Regulations* course offered by CPD. MFA has ensured that monitoring requirements are carried out in accordance with the HUD rules for HOME, ESG and HOPWA, by using a database specifically designed for tracking monitoring visits. Annual risk assessments are conducted for all programs.

MFA's Asset Management staff conducts long-term compliance monitoring for HOME-funded single-family and multi-family rentals in accordance with the guidelines set out in 24 CFR Part 92, including income eligibility, certification and recertification, and habitability. The database assists in tracking the timeliness of those monitoring visits so that all monitoring frequency requirements are met.

CDBG technical assistance and monitoring. Applicants are limited to the amount of funding necessary to complete a basic, meaningful and targeted project within a 24-month period. Within this period of time, technical assistance and monitoring is conducted to ensure that the grantee is complying will all the requirements of the CDBG program. These scheduled dates are entered in a database specifically designed for tracking technical assistance and monitoring visits. The Community Development Bureau staff is highly skilled in all program requirements and utilizes an audit check-off list to ensure that those visits are conducted in accordance with HUD rules and regulations. The check-off list includes application review, documentation for the grant agreement including amendments, project file set-up, general program administration, financial management including all pay requests with backup documentation, procurement, small purchases, professional services, documentation for competitive sealed bids for construction; citizen participation, environmental review, fair housing and equal employment opportunity, labor standards including federal and state wage rates, housing rehabilitation or repair, real property acquisition, eligibility for national objective and finally the closeout documents for the project.

The Community Development Bureau staff conducts routine monitoring or technical assistance visits at least once each year for the life of the project and at the completion of the project. The audit review ensures compliance with program requirements and identifies any findings, concerns or comments.

All grantee information is entered into a database, which is used to generate reports that detail the performance of the grantee in meeting its goals and objectives. For example, a report can be generated giving a percentage of the funds expended. If no funds have been expended, a review of the project will be conducted to determine what measures need to be implemented to move the project forward. The program manager plays a vital role in knowing the status of the project and identifying potential issues. Once these issues have been identified, the grantee is notified to resolve the issue and move the project forward.

Pay requests are a priority for the Community Development Bureau staff. There are steps in place to ensure that the pay request is processed for payment in a timely manner. If the pay request is rejected for any reason, the grantee is immediately notified so that they can provide the proper documentation. In addition, if there are any issues that come up relating to the project, the program manager is responsible for identifying them and resolving them in a timely manner. These steps will help to insure compliance with program requirements.

Lead-based Paint

Estimated units with lead-based paint. Housing units built before 1940 are most likely to contain lead-based paint. Units built between 1940 and 1978 have a lesser risk (lead was removed from household paint after 1978), although many older units may have few if any problems depending on construction methods, renovation and other factors. About 12 percent of the State's housing stock was built before 1950. Approximately 40 percent of housing units in New Mexico were built between 1970 and 1989.

The table below shows HUD's estimates for the State for 2000. The data suggest that up to 16,281 of the State's households or about 2.3 percent of the State's households could be at-risk of lead-based paint hazards.

Households at Risk of Lead-Based Paint Hazards

Extremely Low Income:
Occupying units built prior to 1940 with condition problems = 433
Occupying units built prior to 1970 with condition problems = 5,313

Very Low Income:
Occupying units built prior to 1940 with condition problems = 349
Occupying units built prior to 1970 with condition problems = 4,616

Low Income:
Occupying units built prior to 1940 with condition problems = 286
Occupying units built prior to 1970 with condition problems = 6,352

<u>Actions to mitigate lead-based paint hazards.</u> MFA works in partnership with the regional Environmental Protection Agency office, DFA, Public Housing Authorities and other local partners to increase the number of trained, licensed and certified personnel able to determine the risks of lead hazards—and any corresponding remediation measures—of pre-1978 housing in New Mexico. Although housing rehab activities are underway and MFA applies the Lead-Safe Housing Rule uniformly, there still appear to be insufficient personnel trained in lead-safe work practices, licensed risk assessors and abatement contractors available in the state to perform remediation.

MFA will again set aside a percentage of the State's formula HOME allocation for eligible lead-based paint assessment and remediation activities. This effort to make available additional funds for lead hazard remediation and abatement has encouraged additional businesses and organizations to receive appropriate training in order to provide these remediation services. Additionally, MFA will continue to train its partners throughout the state in the Lead-Safe Housing Rule and encourage sub-grantees and professionals statewide to receive formal training and any applicable lead-based paint certifications in an effort to improve the efficiency of the rehabilitation services delivery system.

Relative priority housing needs. The housing and community development needs statewide far exceed the available resources to address those needs. Therefore, it is necessary to prioritize needs by type of activity and geography in order to ensure the greatest impact with limited resources. Diversity across the state means that different areas have different housing and community development needs that are best addressed through different types of investment activities. For example, some communities have a greater need for new housing development while other communities would best be served by rehabilitation of existing housing.

MFA determines high priority counties, which receive scoring preferences on applications for funds. These high priority counties were identified through the housing condition and market indicators analyzed in the housing market analysis for the 2006-2010 State of New Mexico Consolidated Plan. The prioritization in the Consolidated Plan was based on data available at the time of its publication, usually from the 2000 census, and included the following characteristics: poverty level, homeownership, cost burden, population change and housing condition. In determining priority counties for the Qualified Allocation Plan and the 2010 Action Plan, MFA looked for more current data and where it was available and deemed reliable, MFA replaced the old data with new data which resulted in some changes in priority areas.

Annually, MFA considers the relative priority need for an area when making funding decisions. Each county has been assigned a relative priority need of High, Medium or Low based on a number of indicators for each type of housing activity. A high priority indicates an area where, ideally, the greatest amount of resources should be invested and projects or programs proposing to meet that need have the greatest opportunity for funding. A medium priority indicates areas where a moderate amount of resources should be invested and projects or programs proposing to meet those needs are likely to be funded. A low priority indicates an area where the least amount of resources should be invested. A project proposing to serve a low priority need will not necessarily be excluded from funding; however, such projects will receive a lower priority. The relative priority needs were assigned by housing activity based on a number of indicators which are included for each county in the Appendix.

Homebuyer assistance. Homebuyer assistance is a broad activity that encompasses any activity that serves to assist low-income (often first-time) homebuyers in the purchase of a home. Homebuyer assistance includes below market rate mortgage financing as well as down payment or closing cost assistance, interest rate reduction and principal reduction. The primary need for homebuyer assistance is to address issues of affordability. Indicators of affordability include median home value, percent of cost-burdened owners and percent of owner households earning less than $50,000 who are paying more than 30 percent of their income on housing (cost burdened). If a county exceeds the state average on any two of these indicators, that county is given a high priority for homebuyer assistance. If a county exceeds the state average on one of these indicators, it is given a priority of medium and a county that does not exceed the state average on any of these indicators is given a low priority for homebuyer assistance. However, the Down Payment Assistance Program is administered on a first come, first served basis and no one is turned down because they do not live in a high priority area.

New single family development. New single family development includes housing activities that increase the supply of affordable single family units. This includes new construction, new manufactured housing installations on permanent foundations and acquisition and rehabilitation of existing units. Indicators of a need for new single family housing include population growth and percent of overcrowded units. Areas were prioritized as follows. Counties that had both population growth that exceeded five percent and overcrowding that exceeded the state average were prioritized high; counties which had either grown by more than five percent or experienced overcrowding were prioritized as medium; and counties that had both slower growth and less overcrowding were prioritized low. Whereas, MFA has established priority areas, single family development is dependent on housing developers having the capacity and the desire to build in designated areas.

Acquisition and rehabilitation. The need for new single family development above is driven by population growth; however, some areas that have not experienced significant population growth may still benefit from acquisition and rehabilitation of existing units. Those counties that have an owner-occupied vacancy rate that exceeds the state's average represent an opportunity to increase the stock of available housing through acquisition and rehabilitation.

Single family rehabilitation. Single family rehabilitation refers to rehabilitation of owner-occupied housing. It may also include reconstruction or replacement where units are in such poor repair that rehabilitation is not appropriate and it may include replacement of substandard units with new manufactured housing that is fixed to a permanent foundation or a new site built home. In colonias, indicators of the need for single family rehabilitation are those that measure housing condition including percent built before 1940, percent lacking complete plumbing facilities, percent lacking complete kitchen facilities and percent using non-traditional heating sources. High priorities are assigned to areas where housing conditions are poorest such that a county exceeds the state average on three of the above indicators. Those with a medium priority for rehab are areas that exceed the state's average on two of the four indicators, and low priority for rehab are those areas that exceed the state's average on fewer than two of the indicators. Because priority areas are deemed harder to serve areas, subgrantees willing to rehabilitate homes in those areas receive a higher subsidy limit and are allowed a greater percentage of administrative fees. Both colonias and tribal areas are considered a high priority area for HOME single family rehabilitation funding.

Rental acquisition or assistance. Rental acquisition or assistance includes those activities intended to make existing rental units more affordable. Indicators of the need to create affordable rental units through acquisition or rental assistance include median rents, percent of renters who are cost burdened above 46 percent and the percent of the population that is above the state poverty rate. Counties which include an MSA or community greater than 10,000, exceed the state average on two out of three of the indicators have a high priority for rental acquisition. Those that are above the state average on either median rents or percent of renters who are cost burdened above 46 percent are assigned a medium priority, and those where none of the indicators exceed the state average are given a low priority.

Rental new construction. Rental new construction refers to the development of new multifamily rental units. The need for new multifamily rental units is indicated by population growth, areas of population concentration and low rental vacancy rates. The thresholds for assigning an area a high priority for new multifamily units includes a population growth greater than the state's average growth for the past three years, the county is part of an MSA or includes a community that is larger than 10,000 people in 2008 and had a rental vacancy rate less than the state average. Areas were considered to have a medium priority for rental new construction if they had population growth over 5.62% and a concentration of population. Areas with slower growth or less population were given a lower priority for multifamily projects. However, some of these areas that have low vacancy rates may have a need for very small rental projects or even single family rental units.

Obstacles to meeting underserved needs. Lack of sufficient funding is the primary obstacle to meeting needs in the State of New Mexico. The State has many high-poverty, low-employment areas with aging and substandard housing stock. Meeting the needs in the colonias, in particular, is difficult because the need is so great. Additionally, using federal funds on tribal lands presents its own set of unique challenges, including having clear title to land, placing encumbrances on land, working with a number of tribal entities and political systems. Land grant communities face the same obstacles as tribal lands because the land is not owned fee simple by individuals. Finally, there is a lack of capacity or a distribution network in many rural New Mexico communities, which makes it difficult to deliver services where they are needed.

The resources expected to be available are outlined earlier in this report on page.

Funding availability. The U.S. Department of Housing and Urban Development (HUD) provides funding for housing and community development through several different grant programs. In order to understand how HUD funds are available to communities in New Mexico, it is useful to divide communities into one of two categories:

Entitlement 1. Entitlement 1 communities include the City of Albuquerque and the City of Las Cruces. These communities receive funding directly from HUD for both HOME and CDBG and therefore are not eligible to receive such funding from the MFA or DFA. However, many other MFA funding sources such as mortgage revenue bonds, Low Income Housing Tax Credits, and State affordable housing resources will be directed to these communities. In the past, both the City of Albuquerque and the City of Las Cruces have allocated funds that they receive directly from HUD to the MFA for distribution within their city limits. This represents an important collaboration, which allows for greater leveraging of resources and expertise within the State. MFA will continue to work with these communities to meet their affordable housing needs. The City of Albuquerque is the only community in the State that receives ESG funding directly and therefore organizations within the city limits are not eligible for ESG funding from the MFA, although they are eligible to apply for State homeless funding through the same competitive process.

Entitlement 2. Entitlement 2 communities include the City of Santa Fe, the City of Rio Rancho and the City of Farmington. These communities receive Community Development Block Grant (CDBG) funds directly from HUD and therefore are not eligible to apply for small cities CDBG funds through DFA. However, these communities do not receive HOME funds and therefore MFA will direct HOME funds as well as all other appropriate affordable housing resources to these communities. These communities represent a unique opportunity to combine HOME, CDBG and other resources in new ways to better meet the housing and community development needs in these areas. MFA will seek to invest in projects that exploit that opportunity in order to create an example or model that might be replicated elsewhere in the state.

Non-entitlement. Non-entitlement communities receive none of their funding directly from HUD and therefore are eligible to receive CDBG funding through DFA and HOME, ESG and HOPWA funding through the MFA. These communities are eligible for most of the funding that is available through the MFA and DFA.

Additional funding sources that are expected to be available to the state may be restricted to certain geographic areas. These include Rural Development (Rural Community Development Initiative) programs and competitive grant programs such as Training and Technical Assistance, Housing Counseling and Rural Housing and Economic Development. These sources are targeted to specific geographic needs including areas that have been underserved in the past.

Specific housing priorities, objectives, and output measures.

MFA will pursue five housing priorities in the next year. These priorities were identified in the 2006-2010 State of New Mexico Consolidated Plan. They correspond to the housing goals identified in the Governor's Invest New Mexico Plan.

These priorities include:

1. Increase opportunities for homeownership;
2. Preserve the State's existing affordable housing stock;
3. Expand the supply of housing and services to assist the homeless;
4. Expand housing opportunities and access for special needs populations; and
5. Expand the supply of decent affordable rental housing.

The Department of Finance, Local Government Division will pursue six community development priorities in the next year. These priorities are:

1. Improve water/wastewater systems.
2. Encourage more infrastructure improvements in the Colonias areas.
3. Encourage more housing related activities.
4. Encourage asset management plan for communities' water/wastewater systems.
5. Encourage asset management plan for operation/maintenance of communities public facilities
6. Encourage more economic development projects.

A number of the priorities listed below include both MFA's goals and those of our partners. It is important to bear this in mind when comparing these production numbers to those in the Consolidated Plan Tool which is reported to HUD in Consolidated Annual Performance Evaluation Report (CAPER). Additionally, some of these funds and units are duplicative in nature. The final decision on where the funds will be allocated will be determined by need and the overall direction of MFA management and the Board of Directors.

Priority 1: Increase opportunities for homeownership by increasing access to financing, increasing the supply of affordable single family homes, or improving the affordability of existing single-family homes.

Objective 1.1: Provide below market-rate mortgages to low- and moderate-income, first-time homebuyers.

Objective 1.2: Expand the supply of affordable single family units through construction and acquisition and rehabilitation of existing units.

Objective 1.3: Provide homebuyer assistance (down payment, closing cost, and/or principal reduction) to low-income homebuyers.

Objective 1.4: Research and identify new funding products to address and reduce the cost of mortgage loans for low-income households who are unable to access traditional mortgage financing (a barrier to homeownership). For example: homebuyers with poor credit, manufactured home installations, land grant communities, and affordability gaps in high cost areas.

Objective 1.5: Increase the capacity of MFA's partners to develop affordable housing. Units here indicate the number of partners to be assisted.

Objective1.6: Develop and support a statewide network of housing counseling agencies in order to promote and maintain ownership.

Priority 1 Outcome Measurement: Increase homeownership rate from 70% to 75% <u>by the end of 2010.</u>

Priority 2: Improve and preserve the State’s affordable housing stock that is occupied by low-income homeowners.

Objective 2.1: Improve the capacity of MFA’s partners to provide owner-occupied rehabilitation.

Objective 2.2: Improve the partner’s capacity to preserve homeowner affordable housing.

Objective 2.3: Identify resources to provide for replacement of existing units that are in such poor condition that rehabilitation is not a viable option.

Objective 2.4: Research and identify funding sources to provide for emergency repair, weatherization, or accessibility improvements without substantial rehabilitation.

Priority 2 Outcome Measure: Reduce the number of substandard housing units in the State occupied by low-income households by financing the rehabilitation, improvement and preservation of 2040 affordable units.

Priority 3: Expand the supply of housing and services to assist the homeless.

Objective 3.1: Expand the supply of permanent supportive housing statewide.

Objective 3.2: Expand the supply of transitional housing for the homeless.

Objective 3.3: Homeless Prevention.

Priority 3 Outcome Measure: Reduce the number of unsheltered homeless people in the State by providing 300 families with homeless prevention assistance (TBRA), 2000 individuals with homeless prevention assistance (ESG & State), 8590 individuals with shelter and 3000 individuals with HOPWA funding.

Priority 4: Expand housing opportunities and access for special needs populations.

Objective 4.1: Provide low interest loans to make accessibility improvements to existing single family homes for people with disabilities. Encourage accessible design in new construction of affordable housing units.

Objective 4.2: Provide incentives for or encourage development of housing for the elderly, physically or mentally disabled, and other special needs with services.

Priority 4 Outcome Measure: Expand housing opportunities and access for special needs populations by 15%.

Priority 5: Expand and preserve the supply of decent safe and affordable rental.

Objective 5.1: Increase the supply of decent, safe and affordable rental housing.

Objective 5.2: Increase MFA partner capacity to develop affordable rental housing.

Objective 5.3: Preserve the affordability of expiring use properties.

Priority 5 Outcome Measure: Reduce the proportion of renters who are cost-burdened.

Priorities 1, 4, and 5 will be accomplished by producing lending activity in single family homeownership loans to eligible homebuyers of $236 million ($200 million in Mortgage Revenue Bonds, $10 million in HERO and $5 million in Mortgage Booster, and 1 million in other lending programs), by producing lending activity of $60 million for the construction/renovation of rental housing through tax exempt financing, Access loans, Risk Share, HOME, Low Income Housing Tax Credit (LIHTC), Primero, Housing Trust Fund (HTF), and NM Affordable Housing Tax Credit programs and by producing Single Family (homeowner) Development activity of $5 million through HOME, HTF, Primero, and NM Affordable Housing Tax Credit programs.

How Resources Will Be Used to Address Needs

Below market-rate first mortgages. Several resources are available to provide first mortgages to low-income, first-time (and other special populations) homebuyers. The MFA's Mortgage$aver Program is funded by tax-exempt mortgage revenue bonds and provides a 30-year fixed rate loan available at one of four interest rates to first-time homebuyers earning less than 115% of the area median income. The Mortgage$aver, Mortgage$aver Xtra and Mortgage$aver Zero interest rates are a below market interest rate providing affordable financing for the first-time homebuyer. The Mortgage$aver Plus interest rate is similar to conventional market rates however the buyer receives a rebate of up to 3.0% to help defray down payment and closing costs and pre-paid escrow expenses. It can also be used as a temporary interest rate reduction or to reduce the principal loan amount. With $200,000,000 in mortgage revenue bonds, the MFA expects to create 1950 new first-time homebuyers in the next year.

Under the Partner's Program qualified nonprofit housing organizations originate 0% interest rate first mortgages to very low-income homebuyers. It is expected that 16 homebuyers will be created through the Partners Program.

Several Public Housing Authorities in the State have implemented a Section 8 Homeownership Voucher program which utilizes Section 8 vouchers or Housing Choice Vouchers to subsidize home purchases by public housing residents. It is expected that relatively 5% public housing residents will become homebuyers in the next year through Section 8 Homeownership programs statewide.

The U.S. Department of Agriculture, Rural Development will also have resources available to subsidize home buying by low-income residents in rural areas. Funds are expected from the Guaranteed Rural Housing program and the Direct Loan program both of which provide below-market rate first mortgages. It is expected that these programs will assist rural homebuyers.

Additional homebuyer assistance. In addition to low cost financing of first mortgages, resources will also be utilized to provide additional homebuyer assistance. Homebuyer assistance programs are intended to provide down payment or closing cost assistance, and may also be used to reduce the principal loan amount or buy-down the interest rate. HOME resources will be used to fund the MFA's Payment$aver program.

Payment$aver provides down payment and closing cost assistance to low-income households. The Payment$aver subsidy is a soft second, 0% non-amortizing loan. If the borrower sells, refinances, or transfers the home to an ineligible household within the first five years of the date of the note, the entire amount of the note will be due and payable. After the five-year affordability period, the loan is forgiven at a rate of 20% per year for the next five years, such that it is completely forgiven ten years from the date of the note.

Payment$aver is available to borrowers earning less than 70% AMI in Bernalillo, Sandoval, and Valencia counties (*i.e.*, the Albuquerque MSA) and Santa Fe or Los Alamos counties (the Santa Fe MSA). It is available to borrowers in all other areas of the State earning less than 80% AMI.

Payment$aver will be available through MFA's participating lender network statewide. Nonprofit and public housing organizations will participate in the program by providing pre-purchase counseling and referring eligible homebuyers to participating lenders; Payment$aver borrowers must complete pre-purchase counseling. Nonprofit organizations are encouraged to market their services to, and develop a working relationship with, lenders in their communities. In order to fully leverage available resources, the Payment$aver program must be used with one of the following first mortgage programs:

MFA's Mortgage$aver Program—below-market rate mortgages financed with tax-exempt mortgage revenue bonds.

MFA's Partners Program—below-market rate mortgages originated by qualified nonprofit housing organizations and financed by MFA's Housing Opportunity Fund.

HUD Section 8 Homeownership Program—Section 8 voucher subsidies are used to assist low-income first-time homebuyers meet monthly homeownership expenses instead of offsetting rental expenses.

Guaranteed Rural Housing or Rural Development Direct Loan—below-market rate mortgages financed by USDA Rural Development.

Any institutional loan product that demonstrates interest rates and key terms that benefits the homebuyer as much as or more than comparable MFA loan products throughout the term of the loan.

Upwards of $625,000 dollars is expected to be available for Payment$aver loans which will provide assistance to first-time homebuyers most of whom will also receive Mortgage$aver, Partners, Housing Choice Vouchers, or Rural Development first mortgages.

The Mortgage Booster Program provides down payment and closing cost assistance between up to 8% of the first mortgage amount in the form of a second 30-year fixed rate mortgage.

Similarly, the HERO (Home Equity and Required Occupation) program provides a fixed rate first mortgage loan coupled with down payment and closing cost assistance, up to 8% of the sales price, in the form of a second 30-year fixed rate mortgage for households in which at least one member is a teacher, police officer, nurse, firefighter or a member of the United States Armed Forces. The interest rate on the mortgage is determined by the funding source. Recipients of HERO loans are not required to be first-time homebuyers. However under current market conditions and with changes in FHA guidelines for who can qualify for financing, the HERO program is not a practical program and will be revamped to make it more useful.

MFA has introduced a new mortgage product, Mortgage$averGreen. It provides incentives in the development and financing of more energy efficient, environmentally friendly affordable housing by providing a deep interest rate subsidy directly to a borrower to help offset the higher cost of purchasing affordable green housing.

In addition to the above financing products intended to help low-income first-time and other special homebuyers, the MFA will allocate staff time and administrative resources toward researching new ways of addressing the needs of harder to serve homebuyers including households with credit issues, residents of very rural areas, residents of Native American Trust Lands, residents of land trusts, and residents in the Colonias. Staff with input from various stakeholders will explore how resources such as tax-exempt bonds, the Land Title Trust Fund, State Housing Tax Credits, State Housing Trust Fund, HOME, and MFA's General Fund can be utilized to assist harder to reach populations.

<u>Single family new development</u>. Following the enactment of the New Mexico Affordable Housing Act, new resources have become available for financing new single family affordable housing development. These resources include the New Mexico Affordable Housing Tax Credit Program, the New Mexico Housing Trust Fund Act, and the Affordable Housing Act. The New Mexico Affordable

Housing Tax Credit Program provides an investment voucher to persons who make investments in land, buildings, cash or services for affordable housing projects approved by the MFA. The voucher is equivalent to 50% of the invested value and can be used as a tax credit against the holder's liability for combined taxes, personal income taxes or corporate income taxes. The voucher can be carried forward for up to five years and may be sold, exchanged or transferred once in whole or in part to one or more persons. The MFA has been authorized to issue investment vouchers up to $3,811,987 in 2009 which can generate over $7.6 million in resources for investment in affordable housing.

The New Mexico Housing Trust Fund Act was established to provide flexible funding for housing initiatives in order to produce significant additional housing investment in New Mexico. The fund was capitalized with an initial $10,000,000 appropriation from the State Legislature and has received an additional $5,000,000 since then. Funds are awarded on a competitive basis to applicants who develop responsive solutions to local needs consistent with sound housing policy.

Finally, the under the Affordable Housing Act, State and local governments are authorized to donate land for construction of affordable housing, to donate an existing building for conversion or renovation into affordable housing, to pay the costs of infrastructure necessary to support affordable housing projects, to pay the cost of conversion or renovation, and to pay the costs of land acquisition. While these resources may be used for any number of different housing activities it is expected that the majority of these resources will be directed to activities that create new single family housing.

The HOME/Single Family Development Program provides partial financing to nonprofit and for-profit developers, public and tribal entities, and CHDOs for the construction, acquisition and rehabilitation, or refinancing of single-family homes. Units financed with HOME funds must be affordable to households earning below 80% of the area median income adjusted for family size, may not exceed 95% of the median purchase price for the area, and must meet the Model Energy Code, accessibility requirements under the Fair Housing Act, and local building codes.

In these projects, HOME funds may be used in combination with other down payment and closing cost assistance programs. However, all HOME subsidies combined cannot exceed $20,000 per unit for permanent financing. However, up to $40,000 may be allowed for interim (acquisition and/or construction financing) as long as it is paid down to no more than $20,000 for permanent financing. Projects must demonstrate that HOME funds are needed and will enhance affordability. HOME funds may be drawn down during construction, but personal guaranties of the developer's principals will be required, or a suitable alternative. Some exceptions may be made for CHDOs and non-profit agencies on a case-by-case-basis. These funds may be recovered or converted to "junior" homebuyer loans when an eligible buyer purchases the house. Alternatively, funds can be drawn down initially at the time of sale to an eligible buyer.

Market studies will be required for all projects of 16 or more units. MFA will accept and review applications on a continuous basis. Additional CHDO set-aside funds are also available to projects meeting these guidelines and developed, sponsored, or owned by certified CHDOs.

Applicants will be encouraged to produce units that are Green built, energy efficient and developed for low water usage. The MFA will coordinate with the Department of Energy and Minerals and the Construction Industries Division on ways to ensure energy and water efficiency in new affordable housing developments. MFA will also seek to coordinate funding from the utility companies (PNM) to subsidize energy efficient upgrades in affordable housing developments.

<u>Housing counseling</u>. Several resources will be used to provide housing counseling to New Mexico households. Housing counseling includes both group and individual one-on-one counseling. Group session may include homebuyer education classes, financial fitness sessions, and post-purchase education. One-on-one counseling may include becoming mortgage ready, default and foreclosure

prevention, and counseling for predatory lending. In addition, MFA anticipates receiving additional funding under HUD's Housing Counseling Grant to provide housing counseling statewide. MFA expects to receive approximately $277,000 for housing counseling in 2010 which will expand the number and geographic scope of housing counseling agencies in New Mexico. Housing counseling agencies which will participate in this program have committed to leveraging an additional $570,000 in local resources for housing counseling activities. If fully funded, this program is expected to provide housing counseling to 1600 households.

HOME funds and MFA General Funds will be used to leverage additional resources for housing counseling. Approximately $45,000 in HOME funds will be used as housing counseling fees paid to nonprofit organizations that provide homebuyer education to households that purchase a home and receive a Payment$aver down payment assistance loan. The fee of $350.00 per household is expected to be paid to fifteen different agencies that will provide homebuyer education to at least 60 first-time homebuyers. MFA General Fund resources in the amount of $20,000 will be used to provide training, curriculum development, and housing counseling agency development.

<u>Owner-occupied housing rehabilitation</u>. HOME funds will be used to finance a statewide housing rehabilitation program. The program's objective is to assist low-income homeowners in non entitlement areas throughout the State. Assistance can be used to pay for the costs of rehabilitation required to meet applicable codes, standards or ordinances (including HQS standards), essential improvements, energy-related improvements, lead-based paint hazard reduction, accessibility for disabled persons, repair or replacement of major housing systems, incipient repairs and general property improvements of a non-luxury nature, and site improvements and utility connections.

This program is designed to be affordable to households with very low incomes. Depending on the household's annual gross anticipated income, adjusted for family size, assistance will take the form of either a non-amortizing, 0% interest loan, due on sale, transfer or refinance or a twenty-year, 1%- 4% amortizing loan. Considering that no more than $50,000 in HOME funds ($60,000 in the Priority areas which includes Colonias and tribal trust lands) may be used per unit (excluding the costs incurred to test for and abate lead-based paint hazards as well as any rehabilitation of units in Colonias or on tribal trust lands), MFA strongly encourages the leveraging of multiple resources from the sub grantees that will deliver this program.

The program consists of three components: the first is a rehabilitation "block grant" program in which sub grantees apply through a competitive RFP process, and the second is a "house-by-house" program where the MFA continuously accepts and reviews applications. The intent of the second program component is to give small or less-experienced rehabilitation service providers the opportunity to build capacity with MFA's technical assistance. The third program component is a set aside to carry out lead-based paint testing, remediation, and abatement measures in eligible owners' homes in one of the first two categories.

<u>Rental development</u>. A number of different resources are available for developing new affordable rental housing. These include allocated Low Income Housing Tax Credits (or 9% credits), Bond Financed Low Income Housing Tax Credits (or 4% credits), Multifamily Mortgage Revenue Bonds, Taxable Bonds, 501(c)3 bonds, 542(c) Risk Share and USDA RHS 538, Project Based Section 8, MFA's Primero Program, the New Mexico Housing Trust Fund and the New Mexico State Affordable Housing Tax Credit. The New Mexico Affordable Housing Tax Credit Program provides an investment voucher to persons who make investments in land, buildings, cash or services for affordable housing projects approved by MFA in a county with a population of less than 100,000.

Together these programs are expected to provide $60 million in resources to finance affordable rental units. HOME funds will be used to leverage a number of these resources by providing gap financing.

The priority for multifamily rental financing is for projects that will serve homeless individuals and special needs populations.

HOME/Rental Development funds will 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 below 60% 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 in order 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. These awards will be in the form of below-market rate debt. Exceptions may be made for transitional and permanent rental housing, SROs and group homes targeted for populations at or below 30% of the area median income. Staff may determine limits on the amount of funds available on an annual basis that well be awarded as grants versus loans. Market studies will be required for all projects of 16 or more units. If HOME/Rental funds are drawn prior to completion and lease-up, personal guaranties by the principals of the developer will be required, or a suitable alternative. Some exceptions may be made for CHDOs and non-profit agencies, on a case-by-case basis.

The HOME/Rental Development program includes two components: HOME funds and Tax Credits that are simultaneously awarded tax credits for new construction, acquisition and rehabilitation, or refinancing and rehabilitation of affordable rental housing. Projects using HOME funds in conjunction with the tax credit program must meet all the conditions and requirements set forth in the 2009 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/Tax Credit awards may not exceed the lesser of $20,000 per unit, or $500,000. 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 tax credit and HOME programs.

A separate pool of HOME funds, HOME/Rental Incentives, cannot be used for projects that receive allocated tax credits, although projects receiving tax credits associated with private activity bond volume cap (*i.e.*, 4% credits) are eligible. These awards may not exceed the lesser of $40,000 per unit for all units in the project, $800,000 for the entire project, or 80% 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.

MFA will provide additional incentives to encourage the development of special needs housing utilizing rental development resources and programs. For projects serving special needs populations, developers must specifically identify the population with special needs and must deliver a social service plan describing the necessary support services for their proposed clientele. The determination of whether the project meets/serves an identifiable special needs population will be made by MFA.

set-aside funds are also available to HOME/Rental Development projects meeting these guidelines and developed, sponsored, or owned by certified CHDOs. MFA will set-aside $1,221,247 for CHDO HOME/Rental Development projects which is 15% of its anticipated $8,141,648 HOME allocation.

<u>Capacity building.</u> The MFA will allocate resources toward developing the capacity of local partners to produce more affordable units. The Home Training and Technical Assistance grant, HOME funds, and MFA General Funds will be allocated to increase capacity in several areas. In 2009, $200,000 will

be allocated to improve MFA partners' capacity to: 1) develop affordable single family housing; 2) improve capacity statewide to provide owner-occupied rehabilitation; 3) create a statewide permanent supportive housing developer; and 4) increase partners' capacity to produce multifamily rental housing. These funds will be used to provide training, to cover MFA staff time in providing technical assistance, to contract with experts to work closely with partners in developing housing and to provide financial assistance to allow partners to hire additional staff. MFA was instrumental in helping to create a non-profit housing development corporation, and is committed to continue identifying or increasing the capacity of intermediary organizations to help fill the gaps in areas where it is difficult find an organization to administer rehabilitation projects and to undertake small development projects.

Needs of Public Housing

MFA plans to continue its successful partnerships with Public Housing Authorities (PHAs) on the Section 8 Homeownership initiative. MFA will provide Payment$aver funds for down payment and closing cost assistance—"Smart Choice"—to complement Section 8 funds used by former public housing residents to purchase their homes under this innovative program. Furthermore, to the extent PHAs pursue development of USDA Rural Development REPOs, MFA will coordinate with them to provide HOME funding.

MFA is also working with PHAs to help them transition from managers of public housing units to partners in the development and maintenance of affordable housing. Currently, MFA is working with several PHAs who will undertake new affordable housing development, provide owner-occupied rehabilitation services, or engage in acquisition, rehabilitation and resale of single family units.

Barriers to Affordable Housing

A number of barriers to affordable housing exist in the State of New Mexico. In the north central and middle Rio Grande regions, high land costs are a barrier to affordability. In addition, anti-growth initiatives, impact fees and codes further increase costs. When median income does not increase as quickly as housing costs, many families qualify for housing assistance but cannot afford to live in the available housing. This results in families living long distances from their place of employment and negatively impacts the infrastructure in the communities they move to which become "bedroom" communities, disrupting the social fabric of some of New Mexico's oldest communities. In the very rural areas of the State, the lack of a housing market creates large barriers to buying, selling and even financing rehabilitation of existing units in these areas. In the remainder of the State, barriers include household credit issues, lack of knowledge, lack of a construction industry, lack of contractors to perform rehabilitation, and lack of basic infrastructure.

The greatest barriers to homeownership are credit issues of potential borrower households. A large number of these are working poor with sufficient income to purchase housing but who lack medical insurance and as a result have unpaid medical bills. In addition, there is a general lack of knowledge about the home buying process, financial management and the real estate market. Lack of knowledge is a significant barrier for a number of New Mexico households who are recent immigrants, have limited English proficiency have not completed high school, or live on tribal lands. Predatory lenders have taken advantage of this lack of knowledge and although not hit as hard as other states, problems with foreclosures are increasing in New Mexico. The Governor convened a Task Force and the Attorney General established a working group to address the problems generated by predatory lending in the mortgage industry and MFA is represented on both groups.

These populations, including residents of the colonias, are particularly vulnerable to predatory lending and other predatory practices such as illegal land sales and subdivisions. Households that lack knowledge are also more likely to purchase manufactured housing or land with higher financing costs. Unique barriers exist on Native American trust lands which include an inability to prove income due to artisan cash trade and continuing challenges of financing on trust lands. For people with disabilities, the lack of available affordable and accessible or adaptable housing units is a barrier.

The rural nature of the State results in a situation where outside the metro areas there is little or no construction industry. The lack of a construction industry in small town New Mexico is a barrier to affordable housing in that it results in higher material and labor costs and restricts housing supply. This problem is exacerbated by a lack of contractors willing to rehabilitate existing housing. The lack of available contractors threatens the State's ability to preserve existing affordable housing units. Further, there are very few contractors who are certified to do lead-based paint abatement. This is changing as a result of the recent slump in new housing construction. Now more firms are willing to work on affordable housing projects.

In addition to the lack of available contractors, there are a number of additional challenges to doing owner-occupied rehabilitation in the state including new codes that were effective as of July, 2008, differences in code interpretation among jurisdictions, rising insurance costs, liability and a large number of substandard manufactured housing units which cannot be rehabilitated, leveraging of resources which creates complexity in terms of additional contracts and environmental reviews, and HOME regulations which prevent accessibility modifications without bringing the entire unit up to code.

Affordable housing affected by public policy. Local jurisdictions largely determine land use, zoning, growth limits, fees and charges that affect the return on residential investment in New Mexico. Residential development in many areas of the state is constrained by water supply. Some communities in New Mexico have adopted strategies to limit or slow growth. These areas are generally high cost communities, where return on residential investment is generally high. Slow and no-growth policies in areas where demand for housing is strong are likely to contribute to increasing housing costs. State legislation for state tax credits currently excludes tax credits being used for multi-family housing in counties with populations greater than 100,000. MFA will lobby to change this so that state tax credits or available statewide.

Strategies to removing barriers to affordable housing. MFA and the State of New Mexico will take the following actions to remove barriers to affordable housing:

Research new financing tools to lower the cost of mortgage financing;

Assist high housing cost areas with legislative changes to address how affordable housing is taxed.

Identify ways to increase the availability of contractors in the state;

Strengthen delivery channels and build capacity to develop and rehab housing in underserved areas;

Promote the development of new organizations to provide housing counseling and financial fitness education around the state; and

Encourage universal design or adaptability in new construction of single and multi-family homes.

HOME Funding

Forms of investment. HOME funds will be invested, at a minimum, as a 0% interest due-on-sale loan for all activities except CHDO operating expenses and TBRA, which may be grants. Rental projects that provide transitional and permanent rental housing, SROs and group homes targeted for populations at or below 30% of the area median income may receive a grant instead of a loan.

Resale and Recapture Guidelines. When necessary, HOME funds will be recaptured due to a unit's noncompliance with HOME affordability requirements. Affordability is ensured through the recordation of restrictive covenants accompanied by a lien filed on the property. To ensure affordability, MFA has chosen the recapture provision over the resale option as discussed in HOME Investment Partnerships Program found in 24 CFR 92.

Historically, MFA has used and continues to use a combination of “reduction during affordability period” and “shared net proceeds.” There have been subtle variations of this policy over the years ending with the current policy on recapture outlined below.

Beginning with the 1998 HOME allocation, MFA established a number of different activities for the use HOME program funds. Those activities included: Down Payment Assistance (DPA), Owner-Occupied Rehabilitation, Rental new construction and rehabilitation.

In general, all of these activities require the borrower to execute, at a minimum, a Restrictive Covenants Agreement. All loans are due upon sale, transfer or refinance of the property. In the case of the DPA program, mortgage liens are placed in second position behind MFA’s first time homebuyer mortgage backed security (MBS) program loans. In our Owner-Occupied Rehabilitation program, these liens can assume a variety of positions, including first. Finally, in the case of our Rental New Construction and Rehabilitation programs, a Land Use Restriction Agreement is executed along with the note and mortgage to ensure long term compliance with HUD guidelines.

All guidelines under which repayment must be made are spelled out in the Note, Mortgage and/or Restrictive Covenant documents. The period of affordability varies according to the amount of HOME subsidy.

For Homebuyer Projects, the length of the affordability period is based on the amount of HOME funds invested in the property.

Affordability Period for Homebuyer Projects:

HOME Funds Provided	Affordability Period
<$15,000	5 years
$15,000 - $40,000	10 years
>$40,000	15 years

For Rental Projects, the length of the affordability period is based on the amount of HOME funds invested in the property, as well as on the nature of the activity funded.

Affordability Period for Rental Projects:

Activity	Average Per-Unit HOME	Minimum Affordability Period
Rehabilitation or Acquisition of Existing Housing	<$15,000 $15,000 - $40,000 >$40,000	5 years 10 years 15 years
Refinance of Rehabilitation Project	Any dollar amount	15 years
New Construction or Acquisition of New Housing	Any dollar amount	20 years

If a borrower or the property fails to meet the compliance requirements of the HOME program during the period of affordability, the note becomes due immediately. If the HOME funds were used for down payment assistance, and the compliance requirements are not met within the period of affordability, then the amount of recapture is prorated based on the following criteria: if the value of the property is less than the value of the subsidy or the HOME investment, the recapture amount is based on the owner’s investment/equity and the amount of the HOME investment.

In the case of foreclosure on the property during the period of affordability, MFA will pursue a judgment against the borrower, via a cross-claim. This demonstrates that MFA has made every effort to recover the HOME funds on behalf of HUD. After the period of affordability, MFA files a disclaimer to the property.

In the case of a bankruptcy during the period of affordability, MFA files an answer and proof of claim on the property thus establishing MFA's interest in the property. After the period of affordability, a disclaimer is filed.

Effective April 30, 2003, MFA changed the circumstances under which we would recapture HOME funds. The HOME recapture provisions at 92.254(a)(5)(ii) allow a HOME assisted homebuyer to sell their property to any willing seller during the period of affordability. However, the provisions require that all or a portion of the direct subsidy provided be recaptured from the net proceeds of the sale. These new guidelines were incorporated into new note and mortgage documents for DPA loans made with HOME funds. In general, repayment of HOME funds is due on the sale, transfer or refinance of the property during the period of affordability. The period of affordability varies in accordance to the amount of HOME subsidy and is defined above.

Recapture guidelines vary by activity:

Down Payment Assistance Program: Notes and Mortgages are executed by the borrower for these loans. However, the HOME subsidy is forgiven after the period of affordability plus 5 years. Beginning with the anniversary date of the first year following the end of the period of affordability, 1/5th of the loan amount will be forgiven annually until the end of the 5 year period, at which time the entire loan amount is forgiven. MFA has chosen the "Shared Insufficent Proceeds" version of recapture where if the net proceeds of a sale are insufficient to repay the direct HOME subsidy and the homebuyer's investment, the recapture of the HOME funds will be based on the ratio of the HOME subsidy to the sum of the homeowner's investment (downpayment and any capital improvement investment made by the owner since purchase), plus the HOME subsidy.

HOME loans under this activity are due immediately if the borrower fails to meet the terms of the HOME compliance or if the loan goes into default within the period of affordability. In the event the property is sold during the period of affordability and the value of the property is less than the total indebtedness of both the first and second mortgage, the amount of the HOME repayment is calculated based on the owner's investment and the HOME investment.

If the property should go into foreclosure during the period of affordability, MFA will pursue a judgment against the borrower via a cross-claim in order to ensure MFA's ability to demonstrate every effort has been made to recover HUD funds. After the period of affordability, MFA will file a disclaimer to the property.

In the event the property is named in a bankruptcy case during the period of affordability, MFA will file an answer and proof of claim on the property in order to establish MFA's interest in the property. The property is released via a disclaimer after the period of affordability has expired.

Owner-Occupied Rehabilitation Program: Effective in May 2005, MFA updated its Rehabilitation Program documents from a note and mortgage to an "Award and Restrictive Covenants Agreement." In this Agreement, the entire amount of the HOME subsidy is due on the sale, transfer or refinance of the property to an individual not meeting the program guidelines, with the following exceptions:

- In the case of death of the homeowner, the entire amount of the loan will be forgiven.
- The transfer is to a Low Income or Very Low Income Person or

The HOME subsidy is forgiven at a rate of 20% per year for 5 years beginning on the 6th anniversary of the date of the loan for loan amounts under $40,000. For loans in excess of $40,000, the rate of forgiveness is 20% per year for 5 years beginning on the 11th anniversary of the date of the loan.

Rental New Construction and Rehabilitation: These loans are due in full during the period of affordability or upon the sale or transfer to an ineligible party.

HOME Match. Match requirements of the HOME program will be met by three primary sources: resources committed by grantees and local governments, proceeds from mortgage revenue bonds and MFA general fund interest subsidy.

The MFA will work closely with Public Housing Authorities operating Housing Choice Voucher programs to provide targeted outreach to public housing residents seeking to become homeowners. MFA will also work closely with nonprofit organizations, community housing development organizations and local groups including those on Native American Trust lands and in the colonias to ensure that Payment$aver loans are available to residents in difficult to serve areas.

For all households that receive HOME funded Payment$aver loans, the MFA requires they receive a minimum of four hours of homebuyer education. MFA has taken several steps to ensure that homebuyer education is not only available in most areas of the State, but that it also meets minimum guidelines for quality. The MFA pays a counseling fee to nonprofit organizations that provide homebuyer education. MFA also provides training and certification opportunities for housing counselors statewide and assistance with curriculum development and materials. Further, MFA has taken steps to encourage the statewide availability of housing counseling programs that assist households in becoming mortgage ready.

Refinance of existing debt. MFA may, at its discretion, use additional HOME funds on projects already financed with HOME only when needed in order to permit or continue affordability of single family and rental units, when Rehabilitation is the primary activity. The same underwriting standards would apply as when MFA makes an initial investment of HOME funds in the project, which include the adequacy of management and owner; the feasibility of the project to meet operational and debt service requirements, consistent with market; and a review of total development costs and sources available to meet these needs. The required period of affordability will be consistent with the HOME regulations based on the activity and the HOME per unit subsidy. This would be available jurisdiction wide. The HOME funds cannot be used to refinance multifamily loans made or insured by any federal program, including CDBG.

Specific Homeless Prevention Elements and Homeless Strategic Plan

Sources of funds. A number of resources are expected to be available to address homeless needs in the State. These include Emergency Shelter Grants, competitive Supportive Housing Program and Shelter Plus Care grants, HOME TBRA, and State Homeless Assistance funds. The MFA provides resources from its General Fund to support activities of the New Mexico Coalition to End Homelessness.

The State of New Mexico appropriated $750,000 to expanding permanent supportive housing. The money will be used to invest in capacity building and education of the housing development community, to pay pre-development costs for supportive housing and for a pilot rental assistance program.

The New Mexico Coalition to End Homelessness will be primarily responsible for implementing the State's strategy to end homelessness. This strategy stresses a "Housing First" model of assistance and emphasizes the creation of permanent supportive housing and homeless prevention over emergency shelters.

As a first step, the Coalition is working to create a statewide permanent supportive housing development organization. The intent of the statewide developer is to develop permanent housing for the homeless by working with existing community groups throughout New Mexico. Ideally, local groups will own and manage the housing while providing appropriate supportive services. The Enterprise Foundation and Daniels Fund have indicated willingness to support the development team financially. The Supportive Housing Coalition of New Mexico, with a successful track record of developing supportive housing, sponsors the group. The lack of capacity to develop supportive housing at the local level is an obstacle to increasing the supply of supportive housing. The development of a statewide expert will help to overcome this obstacle.

The New Mexico Coalition to End Homelessness conducted a point-in-time (PIT) count on January 25, 2007 for both sheltered and unsheltered homeless persons to determine the numbers of persons who are homeless and assess their needs in primarily non-urban areas of the State. A two-pronged approach was used for conducting the homeless count and needs assessment: counting homeless persons housed in shelters or transitional housing facilities through the participation of provider agencies and counting non-housed homeless persons that were encountered by staff or volunteers at shelter and non-shelter programs.

Based on the count, surveys and the CoC methodology used to determine homelessness; there is an annual estimate of 8,192 homeless people in the New Mexico Balance of State Continuum of Care region.

<u>Priority homeless needs</u>. The State's priority needs for the homeless are to end chronic homelessness, expand housing and services for those who are currently homeless and prevent future homelessness.

Homeless inventory. Please refer to the Continuum of Care Housing Activity Chart and Service Activity Chart in the 2006-2010 State of New Mexico Consolidated Plan.

<u>Chronic homelessness</u>. The New Mexico Coalition to End Homelessness, will pursue the following COC goals over the next year aimed at eliminating chronic homelessness and moving families and individuals to permanent Housing: Create new PH beds for chronically homeless persons , Increase percentage of homeless persons staying in PH over 6 months to at least 71.5%, Increase percentage of homeless persons moving from TH to PH to at least 63.5%, Increase the percentage of homeless persons employed at exit to at least 19%, and Decrease the number of homeless households with children. The NMCEH will also pursue these local goals:

> Goal 1: Work for official recognition of a statewide plan to end homelessness to be adopted by the Governor and the Legislature.
>
> Goal 2: Enlist Public Housing Authorities to house chronically homeless people (600 people by 2012).
>
> Goal 3. Develop permanent supportive housing for the disabled chronically homeless throughout the state.
>
> Goal 4: Build the capacity in New Mexico to develop and operate more supportive housing in various settings.

Goal 5: Develop housing for the seriously mentally ill, chronically homeless in five regions under the new single behavioral health entity.

Goal 6: Improve access to mainstream resources for chronically homeless people.

Goal 7: Develop and strengthen case management models that keep homeless people in housing once they are housed.

Homelessness prevention. The New Mexico Coalition to End Homelessness, with financial support of MFA, will also pursue the following goals and action steps to address individuals and families with children that are at imminent risk of becoming homeless or for those that have become homeless to get them into housing as quickly as possible.

Goal 1: Work on strengthening services and funding for homeless prevention.

Goal 2: Increase supply of supportive housing

Goal 3: Increase incomes of homeless people

Goal 4: Improve services for homeless people

Discharge coordination policy. The New Mexico Coalition to End Homelessness, in conjunction with the New Mexico Mortgage Finance Authority has a Discharge Planning Work Group, which works to improve statewide discharge planning by four key state agencies. The committee has discussed the protocols that are in place for discharge planning at the Department of Corrections, Department of Children, Youth and Families, Behavioral Health Services Division and the Human Services Department. Also under discussion is the need to improve discharge planning protocols in the area of physical health and individuals exiting public health care facilities. MFA will support the Coalition to bring these protocols to the community.

The MFA administers the Transitional and Supportive Services Program (TSS), which is funded through HUD's Emergency Shelter Grant (ESG) program and an appropriation of the State of New Mexico to the State Homeless Program. Federal ESG funds will not be used within the City of Albuquerque, and cannot be used on tribal lands; entities in these jurisdictions are eligible for state funds.

TSS funding may be used for essential or supportive services, operating expenses and prevention activities associated with providing shelter or services to homeless individuals. Applicants must be able to meet match requirements and provide monthly service reports. The activities receiving funding under the MFA Homeless Program are: Emergency Shelter Operations, Essential Services Only, Homeless Prevention, Permanent Supportive Housing and Continuum of Care Match. All funds are distributed on a competitive basis to eligible local governments and nonprofit organizations. Restrictions on funding amounts include:

1. No organization will receive more than 15% of the total funds available for combined homeless activities, unless proposals submitted for any one activity are insufficient to award all funds allocated to that activity.
2. Contract amounts may not make up more than 50% of any organization's total budget.

Emergency Shelter Operations funding. Funding for Emergency Shelter Operations is allocated based on a competitive round to eligible emergency shelters. Administrative awards are issued to Emergency Shelter Operations recipients operating outside of the City of Albuquerque. All funds are subject to ESG regulations for Emergency Shelter Operations and Administrative funds.

Essential Services funding. Beginning July 1, 2005, in accordance with the Behavioral Health Purchasing Collaborative implemented by the New Mexico State Legislature, a statewide entity became responsible for the administration of all the New Mexico public behavioral health service system, including MFA's essential services activities. Through a contract with the Statewide Entity and the Behavioral Health Purchasing Collaborative, the MFA continues to administer this activity as part of TSS. All funds are subject to ESG regulations for Essential Services.

Homeless Prevention Funding. All funds are subject to ESG regulations for Homeless Prevention.

Permanent Supportive Housing Funding. Funding for Permanent Supportive Housing with disabilities is made available to local and tribal governments or nonprofit organizations operating permanent supportive housing facilities for homeless persons. All funds are subject to ESG regulations for Emergency Shelter Operations, with two changes: the length of stay is intended to be long-term, and Permanent Supportive Housing funds are not subjectc to the limit of 10% for Staff Costs.

Continuum of Care match. Funds to match Continuum of Care Supportive Housing and Shelter Plus Care Programs are made available only to recipients of HUD's Continuum of Care Supportive Housing Program (SHP) or Shelter Plus Care (SPC) grants, from funds received from the State of New Mexico. The purpose of this funding is to help SHP/SPC grant recipients to meet the match requirements under their SHP/SPC grants. Funding may be used for operations, supportive services and/or leasing, and is subject to the relevant ESG regulations for Emergency Shelter Operations and Essential Services.

ESG match. Match requirements of the ESG program will be met by primarily five sources and will vary depending on the agency: resources raised by local fund raising or cash, in-kind donations, non-profit grants including the United Way, and other Federal funds, which may or may not be passed through the State of New Mexico.

HOME TBRA funds are allocated to serve as an additional resource for Homeless Prevention. Qualifying households must be at or below 50% AMI, meet the HUD definition of homelessness or be at imminent risk of homelessness, and must have the means to achieve sustainable housing following program assistance, which is demonstrated through a housing stability plan. Funds are distributed to qualifying units of local government, public housing authorities, and nonprofit organizations. The local agency determines the length of assistance to be provided in its jurisdiction; however, assistance may not exceed 11 months of rent.

The MFA will be administering the Homelessness Prevention and Rapid Re-Housing Program (HPRP) for the Balance of State, in accordance with the Substantial Amendment to the Consolidated Plan. HPRP allows a wide range of eligible activities, all of which will be allowable for sub grantees. The program will be administered using a collaborative model, with agencies with housing expertise providing housing services, and agencies with services expertise providing services. HPRP will be available in all counties of the state.

Community Development

Community development priorities. The DFA will pursue six community development priorities over the next year. They are:

1. Improve water/wastewater systems;
2. Encourage more infrastructure improvements in the Colonias areas.
3. Encourage more housing related activities;
4. Encourage asset management plan for communities water/wastewater systems ;

5. Encourage asset management plan for operation/maintenance of communities public facilities; and
6. Encourage more economic development projects.

Specific CDBG priorities, objectives, and output measures.

Fair Housing

Developing a Fair Housing Plan is an essential requirement of the State's CDBG Grantee responsibilities. Grantees are required to adopt a Fair Housing Plan by resolution as well as promoting Fair Housing during the month of April by encouraging a different activity annually. If the Grantee has an existing Fair Housing Plan, the plan must be reviewed and readopted annually. If not, the Grantee is required to develop a Fair Housing Plan. MFA requires, as part of all its contracts, that contractors abide by the provisions of the Federal Fair Housing Act.

Antipoverty Strategy

The role the MFA performs in reducing poverty is to foster and promote self-sufficiency and independence. To better empower individual and families toward this goal, the following strategies will be put to work:

- Promote sustainable economic development through affordable housing and other community development activities;
- Assist households in purchasing homes, developing stability and net worth and reducing the likelihood for poverty;
- Evaluate projects, in part, on the basis of their ability to foster self-sufficiency when awarding funding for projects;
- Maintain a strong relationship with the New Mexico Coalition to End Homelessness to enhance and promote stabilization of homeless families and encourage transition to stable, permanent housing situations;
- Explore partnership opportunities with the Human Services Department regarding its administration of the Community Services Block Grant, a program that helps organizations that provide a range of services and activities having a measurable and potentially major impact on the causes of poverty in their communities; and
- Enhance efforts to educate the public and interested persons about available supportive services that foster self-sufficiency and independent living arrangements.

Low Income Housing Tax Credit (LIHTC) Coordination

The New Mexico LIHTC Qualified Allocation Plan ("QAP") is drafted on an annual basis to be consistent with the State of New Mexico Consolidated Plan and Annual Action Plans. The QAP supports the development of affordable housing by setting priorities for those rental development projects that target the highest levels of affordability, for the longest period of time, in areas the rental housing is most needed and for the populations in most need of housing. Point categories are reviewed annually. The Draft 2010 Qualified Allocation Plan is available on MFA's website at http://www.housingnm.org/publications and it outlines the point categories.

Non-Homeless Special Needs

Specific special needs objectives. Through the citizen participation process and research for the Consolidated Plan, non-homeless special needs housing was identified as a priority in the State. In fact, most communities and key stakeholders prioritized the needs of the elderly, the disabled (physically, mentally and developmentally) and other special needs populations above the need for new multifamily rental housing.

However, research further showed that the housing needs of these populations are primarily decent, safe and affordable rental housing that is affordable to households below 30 percent of AMI. When such housing is available, local service agencies are able to link these populations to services which will keep them housed. Therefore, the strategy for meeting the housing needs of special populations is to utilize existing financing tools for multifamily rental housing in order to expand the supply of available rental units and to give preference in funding decisions to those projects that will serve, in whole or in part, special needs populations.

The exception to the need for more affordable rental housing is for households with a physically disabled member seeking to purchase housing. These households face difficulty in finding accessible single-family units. Therefore, MFA will encourage universal design or adaptability standards in all newly constructed affordable single family housing.

All of the five housing priorities that MFA will pursue in the next year could potentially benefit special needs populations, but two of them (Expand the supply of housing and services to assist the homeless and Expand housing opportunities and access for special needs populations) are specifically designated to assist special needs populations and persons who are homeless.

Non-homeless special needs analysis (including HOPWA). Information on the needs of non-homeless special needs populations is very challenging to find since there are few centralized sources of information on the various groups. HUD provides data (CHAS tables) that help identify the number of persons in various subpopulations that are not homeless but may require housing or supportive services. In addition, needs can be estimated using national incidence rates applied to the State of New Mexico. Using a combination of the HUD tables and other sources, we developed the following estimated needs for non-homeless special needs populations in New Mexico:

Elderly. According to CHAS data, in 2000 there were 17,000 low-income (earning 50 percent of the AMI or less) elderly households with housing problems in New Mexico's non-entitlement areas. Housing problems also includes being cost-burdened.

Frail elderly. CHAS tables also produce information for "extra elderly," or elderly with mobility limitations, which can be used as a proxy for frail elderly. In 2000, 5,400 low-income frail elderly in New Mexico had housing problems.

Severe mental illness. Studies of homelessness indicate that between 25 and 40 percent of persons who are homeless also have a severe mental illness. These people have the greatest housing needs of persons with severe mental illnesses. In New Mexico, we estimate between 2,000 and 3,300 people in non-entitlement areas have severe mental illness and housing needs.

Disability. In 2000, there were 41,000 households in New Mexico with some type of mobility or self care limitation and who had housing problems. This includes all households where one or more persons has 1) a long-lasting condition that substantially limits one or more basic physical activities such as walking, climbing stairs, reaching, lifting or carrying and/or 2) a physical, mental or emotional condition lasting more than 6 months that creates difficulty with dressing, bathing or getting around inside the home.

Substance abuse. National incidence rates suggest that 71 percent of the population experiencing homelessness has a drug and/or alcohol abuse disease. This is equivalent to about 5,800 persons who are homeless in New Mexico.

HIV/AIDS. Statewide, in April 2009 there were 1359 people with HIV/AIDS.

Priority needs. The need for an emergency shelter for people who are homeless was identified in each of the seven public input meetings for the 2006-2010 Consolidated Plan. The services identified as being needed in these communities were substance abuse treatment, mental health and domestic violence services for people who are homeless, as well as services for homeless families. Two communities cited the need for transitional housing as well.

The need for housing for the elderly was identified in each of the public input meetings. Different types of housing were identified as being needed for seniors including multifamily rental, assisted living, rehabilitation and emergency repair for elderly homeowners, accessibility modifications and in-home supports. Other needs identified for special needs populations included accessible housing (both multifamily and single family), accessibility improvements, supportive housing for the mentally ill and people with substance abuse issues.

Information on facilities is not readily available.

Housing Opportunities for People with AIDS (HOPWA)

HOPWA funding and allocation. Funding under the HOPWA program will be available to non-profit organizations that serve people who are HIV-positive and/or are living with AIDS to provide short-term rent, mortgage and utility payments to prevent the homelessness of the tenant or owner of a dwelling, to provide continued rental assistance for low-income households, and to provide supportive services including health, mental health assessment, permanent housing placement, drug and alcohol abuse treatment and counseling, day care, personal assistance, nutrition services, intensive care when required, and assistance in gaining access to local, state and federal government benefits and services; health services may only be provided to individuals with AIDS or related diseases and not to their family members.

A percentage of the HOPWA grant will be divided between MFA and sub grantees for program administration. The specific allocation is determined annually but will not exceed any statutory limit.

Obstacles to meeting underserved needs. The HMA agencies and HOPWA providers provide a high level of coordinated services. However, they face the obstacle of providing these services across a broad, rural area, where transportation and accessibility of other care is limited.

Specific HOPWA Objectives. The objective of the HOPWA Formula Grant Program is to address the high incidence of immunodeficiency syndrome cases that may cause low-income persons in New Mexico to become homeless by providing housing assistance and related supportive services for said persons and their families.

HOPWA funding is allocated to sub grantees based upon a limited source procurement basis. Funding for HIV/AIDS service provision and delivery is allocated to three regional Health Management Alliances (HMAs). Each HMA brings all area HIV-related services necessary for comprehensive continuum of care into one regional integrated system of care. The three existing HOPWA agencies are “limited source providers” and MFA entered into one year contracts with the opportunity for two one year extensions, or a three year period contracts with the three agencies directly without issuing an RFP. In 2010 a RFP will be issued. Successful Offerors will have the management task of independently implementing the work program, which ranges from initial participant identification, certification and documentation of participant eligibility through actual provision of program services.

Other Narrative

Governor's Innovations in Housing Awards program. The MFA Board of Directors approved the Governor's Innovations in Housing Awards program as follows. There are three eligible activities: Employer-Assisted Down Payment Assistance and Homebuyer Education, a Revolving Loan Fund to provide affordable housing to low and moderate income law enforcement officials, firefighters, teachers and nurses, and a Workforce Housing Development Feasibility Study Fund. Specific program guidelines will be subject to MFA Board approval at a later time. MFA reserves the right to reallocate the funds among the funds based on market demand.

Governor's Invest New Mexico. Governor Richardson released a 10 year plan for the infrastructure of New Mexico which focused on six areas: water, education, higher education, transportation, economic development and housing. Specifically, the plan identified seven goals associated with housing in New Mexico.

Increase the homeownership rate;

Build more than 11,000 new homes, including 4,500 single family homes and 6,840 new rental homes;

Repair and improve at least 10,000 existing homes;

Reduce the water and energy consumption of new and existing housing;

Reduce the use of high-cost mortgage loans;

Strengthen the capacity of local governments, nonprofits, Housing Authorities and the private sector to implement innovative housing programs; and

Invest $3.5 billion in New Mexico's housing infrastructure.

MFA in its capacity as the State's housing agency will strive to meet these goals with our housing partners around the State.

During 2009, several factors either impacted or have the potential to impact the housing needs of New Mexicans in the future. The data is not readily available so MFA is not addressing it in this plan but it will be the focus of MFA's consolidated planning process in the coming year and may lead MFA to change its funding priorities or programs. The need for affordable rental housing may rise because of the number of families faced with foreclosure that will need to find affordable rental housing to relocate to. Sustainability and transit oriented affordable housing developments will become a higher priority and MFA will need to balance this priority with the fact that New Mexico is a rural state and many areas lag behind the major metropolitan areas in mass transit.