MFA

Housing New Mexico

New Mexico Low Income Housing Tax Credit 2021 Qualified Allocation Plan Training

October 26, 2020

Agenda

1:15 PM	Welcome- Donna Maestas-De Vries, Deputy Director of Programs
1:30 PM	Tax Credit Program Overview- Shawn Colbert, Housing Development
2:10 PM	2020 Round Results- Christi Wheelock, Housing Development
2:15 PM	Tax Credit Monitoring & Compliance- Amanda Aragon, Asset Mgmt.
2:30 PM	2021 QAP Review- Kathryn Turner, Housing Development
3:15 PM	Break
3:30 PM	2021 Application Process- Kathryn Turner, Housing Development
4:00 PM	State Tax Credit Program- Patty Balderrama, Housing Development
4:20 PM	Other MFA Sources of Funds- Jacobo Martinez, Tim Martinez, and Sharlynn Rosales, Housing Development
4:30 PM	Environmental Review Process- Sharlynn Rosales, Housing Development
4:35 PM	Q + A
4:45 PM	Adjourn

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Training Workshop – October 26, 2020

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2. 2020 Round Results
3. Tax Credit Monitoring & Compliance
4. 2021 QAP Review
5. 2021 Application Process
6. NM State Tax Credit Program
7. Other MFA Sources of Funds
8. Environmental Review Process

Logistics for WebEx Training

- Attendance required
- Recording Event
- Raised Hand, Chat, and Q&A Functions
- 15-minute Break
- Polling Questions

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Low-Income Housing Tax Credits

- Internal Revenue Service program created by Tax Reform Act of 1986 to provide alternative funding for low- and moderate-income households
- Program is administered by the US Treasury Department
- Credits are allocated by a designated Housing Credit Agency through a Qualified Allocation Plan (QAP)
- In New Mexico, the program is administered by New Mexico Mortgage Finance Agency (MFA)
- QAP has Code-required elements and priorities, and others that are left to the state
- Credit is a dollar-for-dollar tax reduction for 10 years
- Credit amount is based on the cost of acquiring, constructing or rehabilitating housing developments

Low-Income Housing Tax Credits

- Investors purchase credits to offset federal tax liability
- Equity from the sale of credits reduces debt, resulting in lower rents
- Both 9% and 4% credits available
- 4% credits are “as of right” with the use of tax exempt bonds
- 9% credits are competitive
- For 9% LIHTC, states receive a finite allocation of tax credits each year, allocated on a per capita basis (approx. $5-6M per year in NM)

Low-Income Housing Tax Credit Process

Allocation	Tax credits are allocated to the designated Allocation Agency on a per-capita basis	$7.0 million allocated to NM in 2020
Awards	Credits are awarded to proposed development projects through a competitive process, outlined by the Qualified Allocation Plan.	Ex. Project A: $1,000,000 in credits awarded.
Equity Produced	Projects “sell” 10-years’ worth of credits to investor looking to offset tax liability (around 90 cents per dollar of credit), producing around 70% of the total development costs.	Ex. Project A: $1,000,000 x 10 years = $10,000,000 in total credits $10,000,000 x $0.90 = $9,000,000 in equity produced
Compliance	While the investor takes credits annually for only the first 10 years, credits can be recaptured if the project is not in compliance for 15 years. Additional, extended compliance periods range from 15-20 more years, following the initial 15 years.	

Affordability Commitment

30-year Affordability Commitment per Code

- 15-year Compliance Period
- At least 15-year Extended Use Period

Land Use Restriction Agreement (LURA) - extended use agreement

Early termination of 30-year affordability commitment:

- Foreclosure
- Qualified Contract (no longer an option in NM)

Income and Rent Restrictions

Minimum Set-Aside election of:

- 20% of units at 50% of area median income (AMI) (Requires that all restricted units be at 50% AMI or below to be eligible for credits), or
- 40% of units at 60% of AMI, or
- Average Income set-aside - Residents in rent/income restricted units can earn no more than 80% of AMI as long as at least 40% of the total units are rent/income restricted with the average income limits for restricted units at or below 60%.

Eligible & Qualified Basis

Eligible Basis: Depreciable basis of residential rental housing eligible for tax credits.

- 70% Eligible Basis (9% Tax Credits) for new construction or rehabilitation costs.
- 30% Eligible Basis (4% Tax Credits) for acquisition costs and projects with federal subsidy.
- Exclusions - federal grants, land acquisition cost, commercial costs, syndication costs, reserves, etc.

Qualified Basis: Adjust eligible basis for non-income qualified resident using “Applicable Fraction”.

Applicable Fraction

- The percentage of the project that is dedicated to low income use
- Lesser percentage of Low-Income Floor Space or Units
- Exempted employee units are excluded from calculation

	Floor Space		Unit Fraction
Total Residential Floor Space	79,200	Total Residential Units	72
Low-Income Units Floor Space	66,000	Low-Income Units	58
Percent Low-Income	83.33%	Percent Low-Income	80.56%

Applicable Fraction

- The percentage of the project that is dedicated to low income use
- Lesser of percentage of Low-Income Floor Space or Units
- Exempted employee units are excluded from calculation

	Floor Space		Unit Fraction
Total Residential Floor Space	79,200	Total Residential Units	72
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Low-Income Housing Tax Credits
Basis

Non-eligible basis costs

- Land
- Off-site work
- Interest payable on permanent loans
- Insurance and property tax expenses incurred following construction completion
- Application fees
- Origination/discount points
- Title fees
- Legal fees
- Reserves
- Syndication fees
- Federal grants
- Post-construction working capital

Eligible basis costs

- Construction costs on-site
- Professional fees
- Construction period financing fees
- Developer and consultant fees

Low-Income Housing Tax Credits Rates

	New Construction	Acquisition/ Rehabilitation
Not “Federally Subsidized” (not using volume-cap bond debt)	9%	3.07%/9%
“Federally Subsidized” volume-cap bond debt	3.07%	3.07%/3.07%

9% credits are set at the floor of 9%, but for 4% acquisition credits, projects can lock in rate at Carryover or Placed-In-Service. (Tax-exempt Bond 4% credits can lock in at either bond issuance or Placed-In-Service)

Tax-Exempt Bonds and 4% Credits

- Projects financed (whether new construction or rehab) by volume cap bonds are eligible for 4% credits only.
- Not subject to MFA’s rigorous tax credit “round” but still must follow QAP and application requirements.
- Rolling applications.
- Not subject to carryover allocation and 10% test requirements.
- 50% test: bond amount must exceed 50% of depreciable basis plus land.

Tax-Exempt Bonds and 4% Credits

Bond deals are subject to additional rules regarding the tax-exempt status of the bonds:

- Requires allocation of State private activity bond volume cap.
- Public hearing or “TEFRA” requirement - must conduct a public hearing and provide notice by publishing 14 days prior to the hearing.
- Inducement Resolution and Bond Resolution
- Costs of issuance limitation
- Good costs vs. bad costs

4% Acquisition Credits

- The 4% acquisition credit is used when an owner purchases an existing building that qualifies as a substantial rehab and satisfies the 10-year rule (if applicable).
- “Basis boost” is not available for acquisition credits (more later on boost)
- Computing acquisition basis - cost of building including acquisition-related costs
- If not 100% low income, only low income percentage of cost can qualify

Low-Income Housing Tax Credits Boost

30% increase ("boost") to eligible basis for new construction and rehabilitation costs only (acquisition costs not eligible).

Not "Federally Subsidized" (not using volume-cap bond debt)	**HUD designated QCT, DDA or SADDA** ***OR*** **those that serve a target population and have a need for financial feasibility (up to 30%)**
"Federally Subsidized" volume-cap bond debt	**HUD designated QCT, DDA or SADDA**

Limited Partner Structure

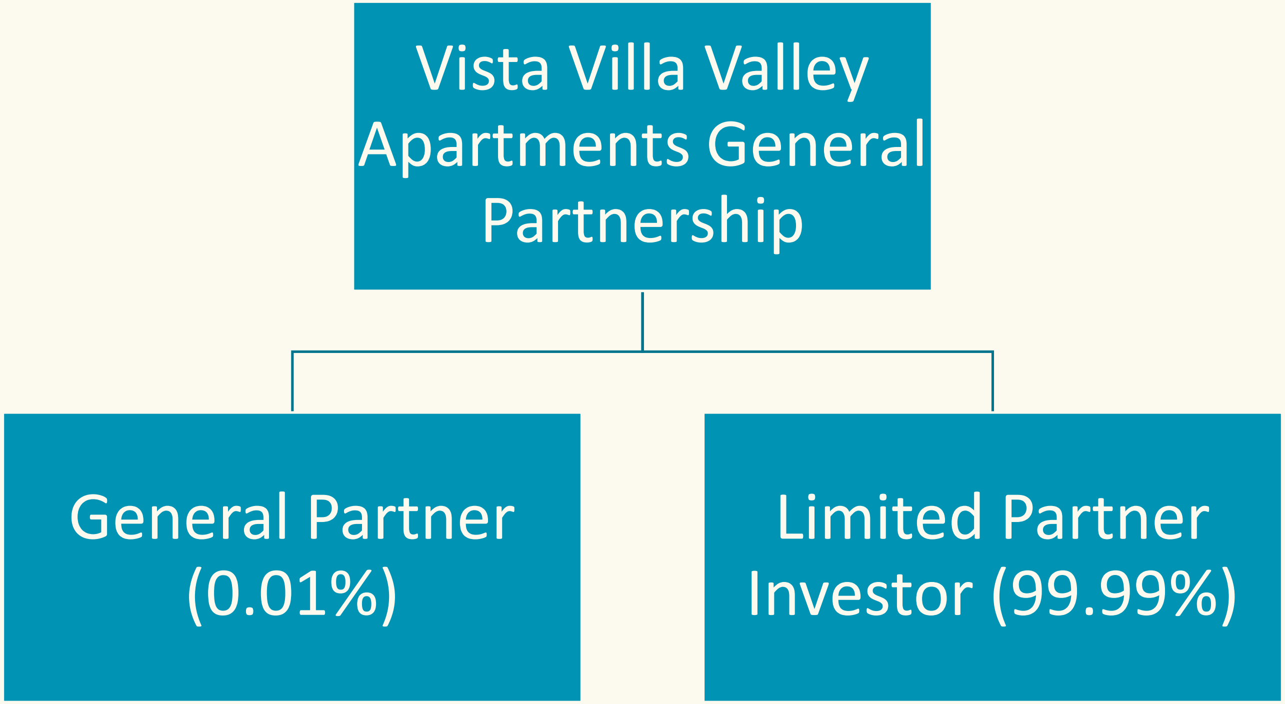
General Partner (GP) owns just 0.01% but controls and operates the project;

Passive limited partner (LP) invests equity in return for 99.99% ownership;

Sale to investor LP of most of Credits and tax losses maximizes investor equity;

More investor equity reduces other financing needs.

Limited Partner Structure



Tax Credit Timeline

1. Apply for credits
2. Receive a tax credit reservation
3. Receive carryover allocation, indicate lock-in election
4. Incur 10% of estimated project basis, obtain site control, and start construction by August 31 of the following year
5. Complete project and place in service within two years of carryover
6. Record LURA
7. Project Lease-up: Qualify Tenants
8. Apply for 8609's
9. Begin claiming credits: PIS year or following year
10. Keep tax credit units in compliance

**** See 2020-2021 LIHTC Calendar on website: housingnm.org**

Questions

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2020 Tax Credit Round

Of the 13 Applications submitted:

- $11,960,312 in credits were requested
  - Ratio of requests to credit ceiling was 2.88:1
  - This ratio increased from 2.59:1 in 2019
- Average TDC per unit for new construction is $202,888
- Down slightly from $ 203,607 in 2019 but up from $ 188,151 in 2018
- Average project size decreased to 60.69 units [average was 75.1 units in 2019].

2020 Tax Credit Round

Eight awards in 2020, seven in 2019

2020 Awarded Project Information:

- Projects sizes range from 30 to 96 units and award amounts range from $626,772 to $1,232,333
- A total of 196 affordable housing units will be rehabilitated and 262 new units will be constructed.
- All projects are providing services to housing priority populations
- All projects received points for areas of demonstrated need, efficient use of tax credits and leveraging
- No project proposed market-rate units, and no projects received points under tenant ownership or historic significance

The Most Successful Application is for the project that you can deliver and successfully operate for the entire extended use period!

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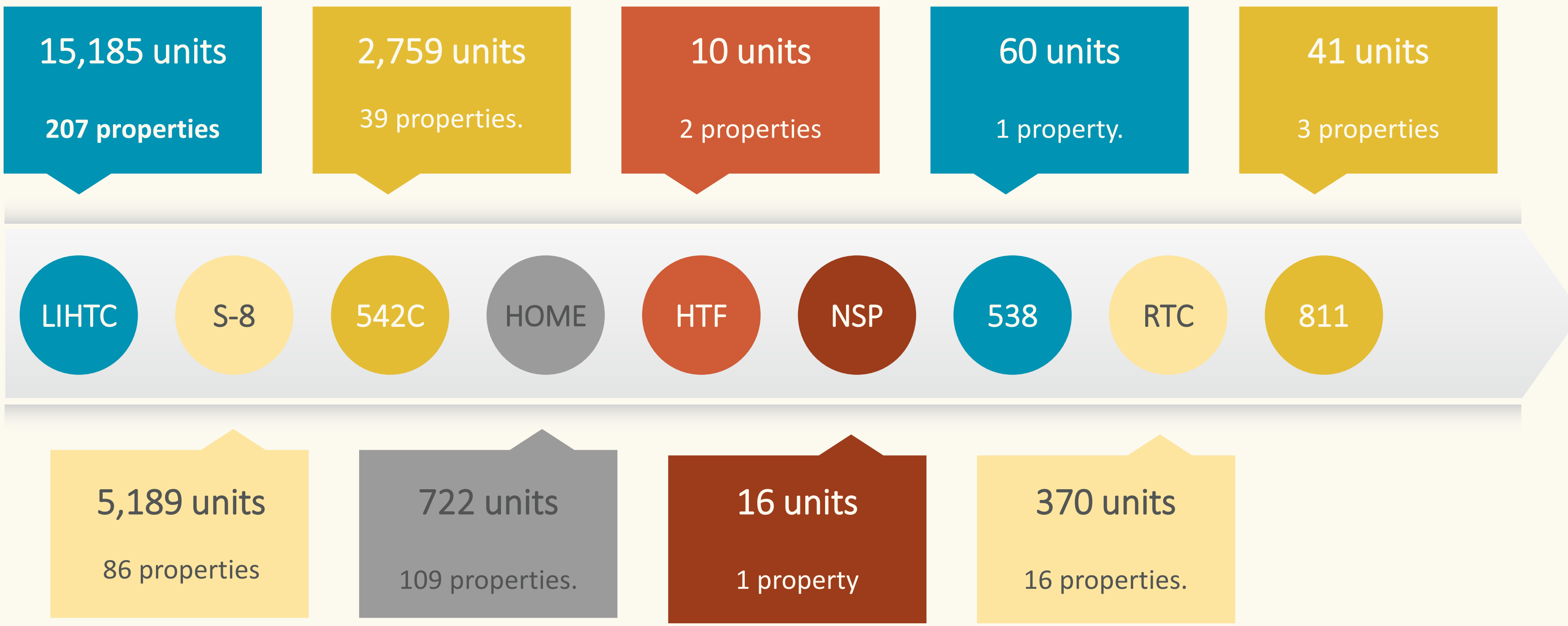
MFA's asset management department is responsible for compliance audits and physical site inspections for more than 300 properties totaling over 19,000 units throughout New Mexico.

The asset management department is committed to working with and providing training to property owners, management agents and property managers, to ensure the successful operation of properties.



Compliance Monitoring

Monitoring Schedule

LIHTC/TCAP	HOME	542(c) Risk Sharing	TCEP/RTC/ USDA 538/NSP
ON SITE: within one year of date of last building placed in service, then once every three years. If non-compliance issues are severe then visits could be every year until non-compliance is corrected.	ON SITE: The on-site inspections must occur within 12 months after project completion and at least once every 3 years thereafter during the period of affordability. The participating jurisdiction may adopt a more frequent inspection schedule for noncompliant properties.	ON SITE: within one year of the loan closing, then Annually. REAC: frequency of re-inspection based upon score. From every three years to annually.	ON SITE: Annually.

Utility allowance methods

Properties with tenant paid utilities must evaluate utility allowances schedules annually using an acceptable method chosen by the owner/agent.

Acceptable methods to calculate utility allowances:

- HUD UTILITY SCHEDULE MODEL
- MULTIFAMILY HOUSING
- UTILITY COMPANY ESTIMATE
- ENERGY CONSUMPTION MODEL
- *PUBLIC HOUSING AUTHORITY SCHEDULE*

Properties with HOME funds cannot use this method

Compliance Monitoring

On-site compliance review

At least 20 percent of the tenant files will be selected by MFA at random. The tenant file review will cover an evaluation of utility allowance schedules and respective implementation deadlines; comparison of rents charged and allowable set aside maximums; and evaluation of household income and the applicable set aside income limit.

On-site physical inspection

At least 20 percent of the units will be selected by MFA at random. Compliance monitoring regulations published January 14, 2000, require housing credit agencies to conduct physical inspections consistent with standards governed by HUD's Uniform Physical Conditions Standards

Annual reporting requirements

- The project owner shall provide MFA with a Certification of Continuing Program Compliance annually on or before March 31st.
- The project owner must submit to MFA annual audited property financial statements, within 120 days of fiscal year end, through MFA's compliance online system, WCMS.
- Electronic data via WCMS: On a monthly basis, the project owner must provide TICs and property vacancy data.
- Annual vacancy reporting: The project owner must submit to MFA a vacancy report, by month, for the previous year, annually on or before March 31st.

Annual compliance fees

Compliance fees are due in MFA's office by January 31 of each year. Owners will be notified once, or one time, of past due compliance fees. They will then have 30 days to submit payment. If payment is not submitted, MFA will send a Notice of Noncompliance (IRS Form 8823) to the Internal Revenue Service.

- $50 per qualifying tax credit unit

Compliance Monitoring

Housing Priority Requirements

Housing priorities & enrichment services

- Enforced throughout the affordability period
- Must not allow for more than a 30-day gap in services
- Documentation confirming compliance with the LURA requirements must be maintained throughout the affordability period

Special needs housing priority

- Must have a plan or a policy explaining how units will be marketed
- Documentation that special needs housing units were not rented by the owner/agent for at least 30 days until the required threshold is met
- MOU with any service providers

Enrichment services

Documentation to confirm compliance with enrichment services of the LURA

- Date, time and location of event
- Newsletters, flyers or brochures advertising scheduled events
- Sign in log of attendees
- Provider information

Service coordination

- Service Coordinator must be in addition to the property manager and property management staff
- Annual operating budget must be sufficient to cover costs
- Annual survey must be conducted and documented regarding satisfaction or dissatisfaction
- Annual certification must be provided by the owner of
  - Number of hours on site
  - Number of residents served

Additional Functions

Service Enrichment LURA Modifications
In conjunction with the housing development department, asset management will review requests to modify service enrichment changes subsequent to the initial selection at application.

Lease up meeting
In conjunction with the housing development department, a representative will be available at the lease up meeting to answer questions and provide information.

Approval of Employee units
After initial application should a need for an employee unit to be added, written requests from owner/agents can be submitted to the asset management department for Review and approval.

Review of Affirmative Fair Housing Marketing Plans (Risk Share, HOME, NHTF, TCEP. NSP)
LIHTC projects with additional affordable layers may require an approved marketing plan. Plans can be submitted to the asset management department for review, approval and on-going compliance monitoring.

Reserve for Replacement Requests (Risk Share)
Risk Share projects require a reserve held for capital replacement. Requests for eligible expenditures can be submitted to the asset management department for review and approval. The next site inspection will confirm repair and replacement of items paid by the reserve.

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Qualified Allocation Plan

- The QAP is the State of NM's plan for allocating its tax credits.
- It is prepared annually, consistent with IRC §42(m).
- Approval Process – Pending Approval by Governor.

http://www.housingnm.org/developers/low-income-housing-tax-credits-lihtc

Don't forget about the FAQ's as these are incorporated into the 2021 QAP by reference.

Underserved Populations Set Aside

Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations. The Application must indicate the desire for the Project to participate in the Underserved Populations set-aside, otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round.

- USDA Rural Development new construction Projects
- Permanent Supportive Housing (PSH) Projects
- Tribal Projects

Permanent Supportive Housing

- Must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.
- All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
- PSH Units have no time limits on occupancy,
- PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units*,
- PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
- PSH Units must cover 50% or more of the total Unit count, and
- Vouchers must be in place or secured for 75% or more of the PSH Units in the Project.

*All Projects will be required to submit a PSH Commitment to Quality checklist with the Application and annually following the award.

Threshold Requirements

All Applications must meet each of the following and include all required materials:

- Site Control
- Zoning
- Applicant Eligibility
- Financial Feasibility
- Fees
- Pre-Application Requirements
- Market Study

Threshold: Site Control

- Fully executed purchase contract or option
- Written governmental commitment to transfer property by deed or lease
- Recorded deed or long term lease

Transfer Commitment must:

- Provide an initial term* lasting until at least June 30, 2021;
- Be binding on seller through initial term; and
- Have names, legal description, and acquisition cost that match application.

*Initial term must not be conditioned upon any extensions requiring seller consent, additional payments or financing approval.

Threshold: Fees

All fees owed to MFA for all tax credit projects in which principal(s) participate must be current.

- 2021 Fees
- Application fee $750 or $1,500
- Deposit of $10,000
- Processing fee* of 7.75
- $50/unit monitoring fee, due annually
- Income Averaging projects may be subject to increased monitoring fee

*Applicable if a reservation or final determination is received

Threshold: Applicant Eligibility

All members of the development team of the proposed project must:

- Be in good standing with MFA and all other state and federal affordable housing agencies; and
- Sign an affidavit affirming no related party relationships or relationships are properly disclosed.

Threshold: Financial Feasibility

Applications must demonstrate, in MFA's reasonable judgment, the project's financial feasibility.

QAP Section IV.C.2, Section IV.D, and Section IV.E. summarize MFA's financial feasibility considerations.

Additional Underwriting Details in the Initial Application Underwriting Supplement.

Threshold: Market Study

Applications must contain a market study that meets the following criteria:

- Was completed by a vendor meeting the requirements agreed upon in the Market Study Professional Certification document
- Follows the methodologies identified in the Market Study Parameters
- Has been issued within 180 days of the Application submission
- The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income at each income strata proposed
- The overall Capture Rate for a Project must not exceed 10%

Cost Limits

Based on average per unit and per square footage cost of new construction and adaptive re-use projects submitted in the round.

Purchase price attributed to land; costs related to commercial space, and reserves are excluded.

In 2020 the per unit average was $202,888, in 2019 the average was $203,607, in 2018 the average was $188,151, and in 2017 the average was $183,914.

Per project maximum Tax Credit award is $1,232,333 and any entity (including affiliates) may not receive more than 2 awards.

Threshold: Pre-Application

- MFA encourages all applicants for LIHTC to meet with staff prior to submission.

- Both 4% and 9% credit applicants must submit an “Intent to Submit a Tax Credit Application and Development Synopsis”

Minimum Project Score

- 9% projects need a minimum score of 78 points;
- 4% (bond) projects need a minimum score of 58 points;
- Partial points will not be awarded;
- Applicant self-scores application; MFA scores application;
- Scoring criteria and information needed to obtain points in QAP and checklist;
- Deficiency correction used only to address incomplete applications or forms, obtain clarifications, or correct certain correctable threshold items – never scoring or allocation set-aside requirements.

Scoring Criteria

Criterion 1: Nonprofit, New Mexico Housing Authority (NMHA), Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority Participation (THA) participation (5 or 10 points)

- Tier 1 or Tier 2 requirements in application and checklist must be provided for points
- Requirement for points different than requirements for set-aside
- Net worth/net assets must be substantiated by reviewed or audited financial statements
- Document fee split agreement among parties
- Entity required to attend most recent QAP training
- Indicate on checklist if submitting as a qualified nonprofit, NMHA, TDHE or THA

Scoring Criteria

Criterion 2: Locational Efficiency (up to 6 points)

- Projects located in proximity and connected to:

1) services and/or 2) public transportation (new option for proximity to frequent transportation stops)

Criterion 3: Rehabilitation Projects (up to 5 points)

- To be eligible for points, must meet 20-year requirement (limited exception)
- Scope of work required at Application
- Cost thresholds for moderate/substantial rehab
- Detailed narrative + prelim relocation plan due
- Information on existing debt

Scoring Criteria

Criterion 4: Sustaining Affordability (5, 10, or 15 points)

15 points:

Use restrictions are to expire on or before December 31, 2025;

At imminent risk of conversion to market rate; or

Future federal rental assistance contract covering at least 75% of all units

10 points:

Projects that have an existing federal rental assistance contract covering at least 75% of all units or those utilizing a conversion of existing federal rental assistance

5 points:

Projects that have/will have a federal rental assistance contract covering at least 20 percent of all units

Poll 1

Scoring Criteria

Criterion 5: Income Levels of Tenants
(up to 16 points)

- Point requirements based on Project election and location (urban or rural)
- For 20/50 or 40/60 election, points based on percentage of units at or below 50% AMI
- For Average Income election, points based on average income of units
- Rural projects receive same number of points for fewer units at lower incomes

Scoring Criteria

Criterion 6: Market Rate Units (4 points)

- Minimum 15% of the total units.
- *Maximum points for Income Levels of Tenants and Market Rate Units combined is 16. Cannot be combined in Income Averaging Set-aside.*

Criterion 7: Extended Use Period (5 points)

- Maximum points for 35-year Extended Use Period.

Scoring Criteria

All three priorities, special housing needs, senior housing and households with children are required to:

- Comply with Fair Housing Act requirements;
- Services must be provided throughout entire affordability period; and
- Owners may not allow for more than a 30-day gap in service.

Scoring Criteria

Criterion 8: Special Housing Needs (up to 8 points)

Option A: 20% of the units reserved for special housing needs households and services provided (to be eligible at least 10% of units restricted at 30% AMI or permanent rental subsidy support) (points based on services provided)

Option B: 5% of units reserved for special housing needs households and 5% of units restricted at 30% AMI (no points for additional services, just fulfills the priority population requirement for 4% projects)

- Service Coordination Certification required + proposed budget required
- (Option A) Up to 8 points available for deeper services

Scoring Criteria

Criteria 9 & 10: Senior Housing, Households with Children (up to 8 points)

- 80% to 100% of total units reserved for Senior Housing.
- At least 25% of the total units reserved for Households with Children.
- Points based on services provided.
- Design requirements – mandatory for points.
- On-site service coordinator – required for service points.
- The proposed project annual operating budget must include a sufficient amount for the provision of social services.
- Senior Fair Housing Certification required (form found on website).

Scoring Criteria

Households with Children – Unit Mix Calculations

Total Units	68
3/3+ bedrooms and 1.75 baths	10
2 bedrooms and 1.75 baths	50
3 bedroom % of total units	14.7%
2 bedroom % of total units	73.5%

**See Scoring Criterion 10 for unit requirements*

Scoring Criteria

Criterion 11: Leveraging Resources (up to 10 points)

- Expanded to include GP contributions where there is no hard debt repayment requirement, deferred developer fee provided deferred fee is repaid by year 15, and MFA soft debt.
- Cash flow loans eligible contributions but cannot have hard payments.
- Other exclusions: stale contributions, non-measurable contributions.
- The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, the corresponding cost must be listed as a cost on Schedule A.

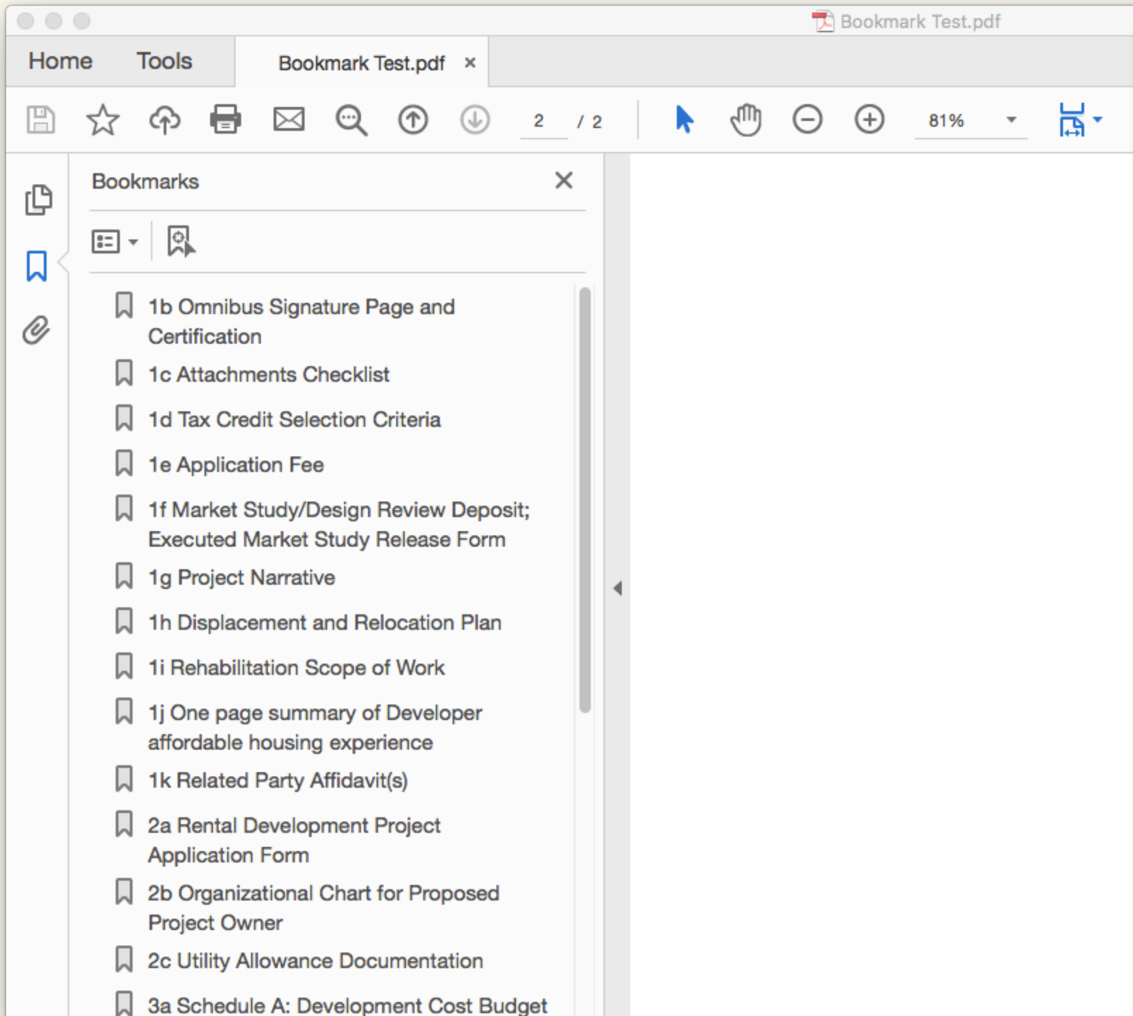
Poll 2

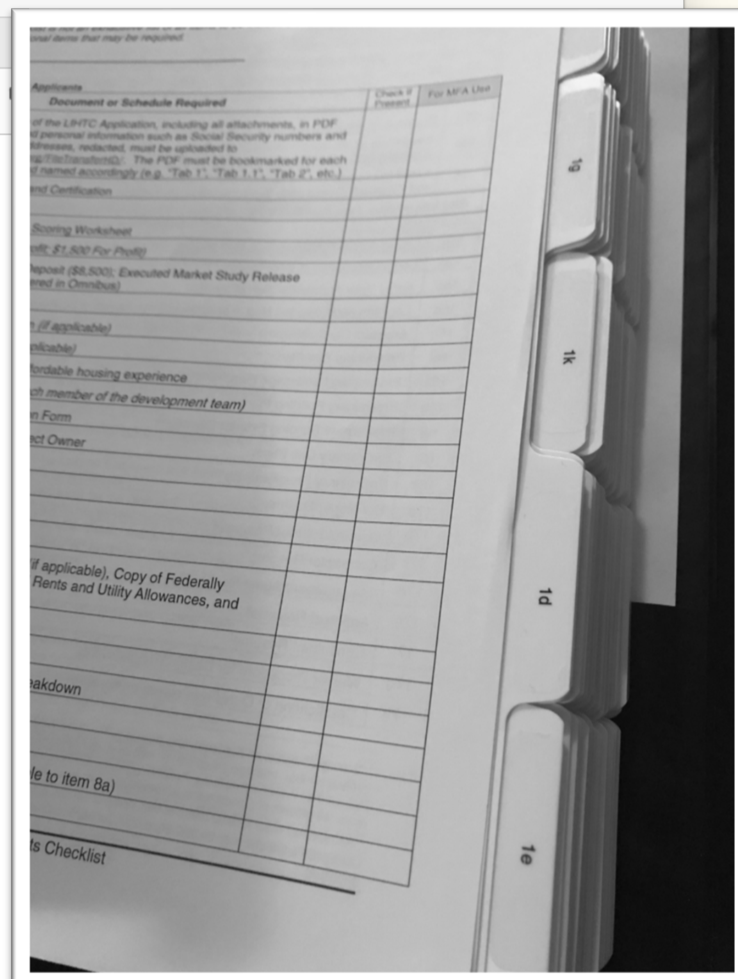
Scoring Criteria

Criterion 12: Complete Application (3 points)

- Applications that do not require any deficiency corrections. See Section IV.A.4 in the QAP:
- One omnibus signature page - blue ink signed by all General Partners
- Don’t forget the digital, fully tabbed, single PDF, uploaded to MFA’s file sharing site: https://mfa.internal.housingnm.org/FileTransferHD
- Brown Classification Folders are no longer required, 3 ring binders will be accepted, but must be fully tabbed.
- All attachments, current MFA forms
- Do not rely solely on Application Checklist (READ THE QAP)

"Fully Tabbed"





Poll 3

Scoring Criteria

Criterion 13: Commitment to market units to public housing authority waiting lists (2 points)

Criterion 14: QCT/Concerted Community Revitalization Plan (3 or 5 points)

- Projects that contribute to a Concerted Community Revitalization (CCR) Plan or are located within ½ mile of a NM-designated Main Street eligible for 3 points.
- If the Project meets one of the above criteria and is located in a QCT, it is eligible for 5 points.
- All scattered sites need to be in the CCR/QCT and contribute to the Plan to receive applicable points.

Scoring Criteria

Criterion 15: Projects with Units Intended for Eventual Tenant Ownership (5 points)

- Cannot be combined with Extended Use Period Points
- Additional requirements for Tenant Conversion Plan

Criterion 16: Historic Significance (5 points)

Criterion 17: Blighted Buildings or Reuse of Brownfield Site (5 points)

Scoring Criteria

Criterion 18: Projects Located in Areas of Statistically Demonstrated Need (5 or 10 points)

Tier 1: Bernalillo, Dona Ana, Eddy, Lincoln, Los Alamos, Otero, Sandoval, Santa Fe, and Valencia. In addition, all Projects on Native American Trust Lands or Native American-owned lands within the tribe's jurisdictional boundaries are eligible for Tier 1 points.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso

Tier 2: Chaves, Grant, Lea, Luna, McKinley, Roosevelt, San Juan, Rio Arriba, San Miguel, Sierra, Socorro, Taos, and Torrance.

Scoring Criteria

Projects may qualify for Tier 1 Status if their Application contains a Market Study that shows an overall Capture Rate, as defined in the Glossary, of 8% or less overall (this may be subsidized Capture Rate, if subsidies are secured).

Poll 4

Scoring Criteria

Criterion 19: Efficient Use of Credits
(5, 10 or 15 points)

- Scoring criterion includes projects that involve substantial rehabilitation or moderate rehabilitation.
- Scoring criterion includes adaptive reuse which is scored as if it were new construction.
- Scoring thresholds and related points vary depending on type of project (see next slide) and were increased based on inflation.

Scoring Criteria

New Construction	<$16,074/unit	AND	<$16.61/sq.ft.	=15 Points
	<$17,681/unit	AND	<$18.22/sq.ft.	=10 Points
	<$16,074/unit	OR	<$16.61/sq.ft.	=5 Points
Substantial Rehab	<$14,065/unit	AND	<$14.52/sq.ft.	=15 Points
	<$15,472/unit	AND	<$15.95/sq.ft.	=10 Points
	<$14,065/unit	OR	<$14.52/sq.ft.	=5 Points
Moderate Rehab	<$12,055/unit	AND	<$12.46/sq.ft.	=15 Points
	<$13,261/unit	AND	<$13.66/sq.ft.	=10 Points
	<$12,055/unit	OR	<$12.46/sq.ft.	=5 Points

Scoring Criteria

Criterion 20: Non-Smoking Properties
(4 or 6 pts)

- Both 9% & 4% projects are required to participate in the Smoke Free at Home program to obtain points.
- Platinum certification = 6 points
- Gold certification = 6 points
- Silver certification = 4 points

Scoring Criteria

Criterion 21: Adaptive Reuse Projects (5 points)

- In combined new construction and Adaptive Reuse Projects, converted space must account for at least 20 percent of the sum of each Building's Gross Square Feet.

Criterion 22: Other Scoring Points Available (up to 6 points)

Criteria include:

- Additional deep income targeting;
- New construction, 35 units or less, no rehab;
- Located in a town with population <16,000;
- Located in a town with no "active" LIHTC projects;
- Preference for active duty or veterans.
- Women and Minority Owned Businesses

Women and Minority Owned Businesses

Women and/or minorities are encouraged to participate in the ownership, development, or management of the Project. The minority or female individual(s) must serve as either:

a) The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or

b) Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.)

The name and address of the company and the anticipated contract amount or ownership percentage must be listed at the time of Application on the form provided by MFA in the Application Package in order to be eligible.

Other Changes in the 2021 QAP

- The award of credits will be weighted towards new construction, at a balance of 2:1
- Per Code, language was added to allow that projects "favor tenants… of indigenous populations for those Projects located on Tribal Lands.".
- The threshold score for 4% projects was lowered by 5 points to 58.
- The Market Study and Design Review Deposit was changed to cover just the design review, and was increased to $10,000, to more accurately reflect the cost of those reviews.

Other Changes in the 2021 QAP

- A requirement for MFA approval of any ownership split beyond 99.99% (Limited Partner) and 0.01% (General Partner) was added.
- A brief presentation to the board of directors was added as a requirement for each application up for an award.
- Per IRS regulations, the inspection frequency has changed. Additionally, language was added to reflect inspections to service plan delivery.
- Un-utilized or previously defined terms were eliminated from the glossary and capitalization was made consistent throughout.

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Mandatory Design Standards

MFA 2021 Mandatory Design Standards for Multifamily Housing
Part A

The following Design Standards, including the MFA 2021 Submission Instructions for Preliminary Architectural Documentation for Multifamily Housing Applications, contained herein as **Part B,** represent the minimum requirements for New Mexico Mortgage Finance Authority (MFA) financed rental housing and are herewith incorporated by reference into MFA's 2021 Qualified Allocation Plan (QAP). Capitalized terms are defined either herein or in the QAP.

MFA values excellence in design because well designed housing meets the needs of tenants, attracts market tenants and promotes community acceptance of housing financed by MFA. All Projects shall meet or exceed each of these standards, as well as the minimum requirements of all applicable building codes (hereinafter referred to as "Code"), regulations, and local zoning ordinances. In addition, Projects shall meet Americans with Disabilities Act (ADA) and Fair Housing Act (FHA) requirements as applicable. Depending on the funding sources and other partners' requirements, the Project may also be subject to Uniform Federal Accessibility Standards (UFAS) requirements. Projects receiving HOME funding must meet the property standards of 24 CFR 92.251. Projects receiving National Housing Trust Funds must meet the property standards of 24 CFR 93.301 (f) (1) and (2). The development team is responsible to know and meet all accessibility requirements for their Project. MFA will not be reviewing submissions with the intent to identify compliance with these various laws, codes, and ordinances governing the design of the projects. Should we find a discrepancy in a design that does not meet a law, code, or license, we will, as a courtesy, inform the designer of our findings. Our review does not constitute nor

Dates to Remember

2021 Tax Credit Round:

- Applications due January 15, 2021
- Awards: May 2021
- Carryover Application: November 15, 2021
- Final plan submittal: June 30, 2022
- 10% Test + Evidence of Construction Start ***and Site Control***: August 31, 2022
- Placed in Service or Final Allocation App: Nov. 15, 2023

***2022 Tax Credit Round*:**

- 2022 QAP Public Comment Period: August/Sept. 2021

See LIHTC calendar for additional dates

Questions

MFA

Housing New Mexico

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Universal Underwriting Supplement

MFA 2021 Universal Multifamily Initial Underwriting Supplement

MFA Housing New Mexico

This underwriting supplement outlines the standards that MFA will use when underwriting Initial Applications submitted for consideration for 2021 LIHTC and gap funding allocations. MFA underwrites Initial Applications for two purposes: 1) to determine the amount of credits that may be allocated to each proposed Project and 2) to determine the financial feasibility of each proposed Project. MFA will use the more conservative of the financing terms listed in this underwriting supplement, the 2021 QAP or the proposed Project's Financing Commitment(s) or letters of interest.

Construction Guidelines

Builder profit, overhead and general requirements

In Projects where an "identify of interest" (as defined in this section) is not present, builder profit may not exceed 6 percent of construction costs, builder overhead may not exceed 2 percent of construction costs and general requirements may not exceed 6 percent of construction costs. For purposes of these calculations, see definition of construction costs in the Glossary.

Where an identity of interest exists between or among the Developer/Project Owner, builder (e.g. the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4 percent of construction costs. An identity of interest means any relationship that is based on shared family or financial ties b… among the Developer/Project Owner, builder (general contractor), design professi… would suggest that one entity may have control over or a fi…

Architect and E…

Application Review

Universal Rental Development Application

- LIHTC
- HOME
- NHTF
- NMHTF
- Risk Share
- NM State Tax Credits
- Primero
- Ventana Fund

Application Review

Indicate

- Extended Use Period
- Set-Aside Option
- Complete all areas of application

Utility Allowance

- Rent calculation – Schedule B
- Attach current documentation
- Must be approved allowance

Contact Information

- Update MFA if this changes after application

Ownership Information

- To-be-formed partnerships
- Non-Profit participants

Development team

- Identity of interest
- Developer fee amount
- Attach resumes

Identification of local official

Schedules

Schedule A – Development Cost Budget

- Calculations - see MFA's Universal Multifamily Underwriting Supplement
  - Construction Contingency
  - Builder Fees
  - Developer Fee
  - Operating Reserve

Construction Contingency Example

New Construction

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
5%	Minimum Owner Contingency Percentage
$319,425	Minimum Owner Contingency Dollar
$350,000	Application Contingency
$(30,575)	(Excess)/under minimum

Contingency included in construction contract will be included as a hard construction cost and will not count toward required owner construction contingency.

Builder's Profit, Overhead, General Requirements Example

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
6%	Allowed percentage for Profit
$383,310	Maximum for Profit (if no identity of interest)
$383,310	Application Profit
$0	(Excess)/under used

Same formula as above for General Requirements

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
2%	Allowed percentage for Overhead
$127,770	Maximum for Overhead
$127,770	Application Overhead
$0	(Excess)/under used

Developer Fee Calculation

9% Project Developer fees* may not exceed:

- Projects with 30 or fewer Units - $22,500 per Low Income Unit
- Projects with 31-60 Units - $21,000 per Low Income Unit
- Projects with 61-100 Units - $19,500 per Low Income Unit not to exceed $1.5 million
- Projects with more than 100 Units $15,000 per Low Income Unit not to exceed $1.8 million.
- Additionally, in no case can the developer's fee exceed 14% of Total Development Costs.

*Further reduction when there is an identity of interest between buyer and seller.

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Developer Fee Calculation

4% Project Developer fees may not exceed:

14% of Total Development Costs

Developer Fee Calculation

9% Project with 72 Total Units, 60 Low Income Units

$21,000	per Low Income Unit
60	Low Income Units
$1,260,000	Potential Developer Fee

$6,388,500	Total Development Costs
x 14%	Maximum Fee Percentage
$894,390	Maximum Developer Fee

Reserves and Expenses

Operating Expenses = Project operating expenses (excluding reserves and resident social services expenses); $4,300 to $5,800/unit;

Replacement Reserve = $250/unit/year for Senior housing (new construction only) and $300/unit/year for all other project types;

Operating Reserve = minimum of six months operating expenses (including replacement reserves and social services expenses) and all must-pay debt service.

Schedules

Schedule A-1 – Sources of Funds

- Construction and Permanent
- Deferred Fee
- Sources = Uses

Schedule B – Unit Type & Rent Summary

- Distribution of units proportionately
- Set-aside rents cannot exceed tax credit limits
- Indicate unit net square feet

Schedules

Schedule C – Operating Expense Budget

- Minimum 7% vacancy
- Maximum 6% management fee (calculated on gross income)
- Replacement Reserves – we will underwrite to at least MFA minimums

Cash Flow Projection

- Income, expense, and reserve escalators at minimum stated in underwriting supplement

Schedule D – Contractor Cost Breakdown

- Tie to Schedule A

Schedules

Schedule G - Affordable Unit Set Aside Election

- Irrevocable

Schedule H – Applicant's Previous Participation

- One Schedule H for each General Partner and Developer
- Compliance Affidavit from each General Partner and Developer Principal

Questions

MFA

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8 Environmental Review Process

NM State Tax Credit Program

Program Basics:

- Used to fund affordable housing for low to moderate income occupants
- Provides tax credits to eligible individuals and businesses that provide donations to MFA-approved affordable housing projects approved by MFA, or to the charitable trust administered by MFA
- Credits on income taxes, gross receipts taxes (GRT) and compensating taxes (excluding local option GRT imposed by a municipality or county, or the government GRT)
- Donations can include land, buildings, cash or services
- Credit is equal to up to 50% of the value of the donation (i.e. $2,000 donation = $1,000 tax credit)
- Minimum accepted donation is $200; maximum is $2,000,000

NM State Tax Credit Program

How much is available?

- Amount equal to a base rate of $1.85, adjusted annually for inflation, multiplied by the state population
- $4,782,886 for 2020

How does it work?

- Once an award is approved, eligible project applicants solicit donations for the development of an eligible affordable housing project
  - includes non-profit or for-profit developers and governmental or tribal instrumentalities
- Qualified affordable housing activities include land or building acquisition, new construction, rehabilitation, weatherization, etc. for an eligible affordable housing project
- Eligible projects include single family or multifamily housing
  - Project must remain affordable for a minimum of 5 years (single family) or 10 years (multifamily)

NM State Tax Credit Program

Once approved…

- MFA issues tax credit reservation letter
- Maximum award size is 25% of credits available in each calendar year
- Applicant uses reservation letter to solicit donations
- MFA issues investment vouchers to donors
- Investment voucher issued upon securing evidence of the donation and ascertaining project applicant completed all requirements set for the project
- Alternately, donors may donate directly to the charitable trust fund administered by MFA
- Donor may transfer all or a fraction of the amount of the credit to an eligible individual or business
- The whole tax credit or a fraction thereof may be redeemed the 1st year or carried forward for up to 5 years
- May also be eligible for federal tax credits

NM State Tax Credit Program

The affordable housing tax credit is a win-win.

Example of a $1,000 contribution with a combined state and federal tax rate of 40 percent.

Your Contribution	$1,000
State tax Credit	-$500
Deduction on tax returns	-$400
Out of Pocket Cost	$100

NM State Tax Credit Program

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Other MFA Sources of Funds

HOME Program
- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- Generally 0%-3% rate
- 2-year construction and up to 40-year permanent period

National Housing Trust Fund
- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- 0% rate
- Minimum 30-year term period

Ventana Fund
- New Construction, Rehabilitation, Acquisition & Rehab
- 2.5%-3.5% rate
- 12 to 24 months interim/construction loan

Other MFA Sources of Funds

New Mexico Housing Trust Fund

- New Construction, Rehabilitation, Acquisition & Rehab, Infrastructure
- 3% rate
- 2-year construction and up to 30-year permanent term period for new construction or 35-year permanent term period for rehab

Risk Share 542(c)

- New Construction, Rehabilitation, Acquisition & Rehab
- 5%-6% rate
- 2-year construction and up to 40-year permanent term period for new construction or 35-year permanent term period for rehab

Other MFA Sources of Funds

PRLF

- Rehab & Preservation of existing RD 514, 515 & 516 projects
- 3% rate
- Up to 18 months construction and up to 25-year permanent term period

Primero

- New Construction, Rehabilitation, Acquisition & Rehab
- 2.5% rate
- Construction only for up to 2 years

Other MFA Sources of Funds

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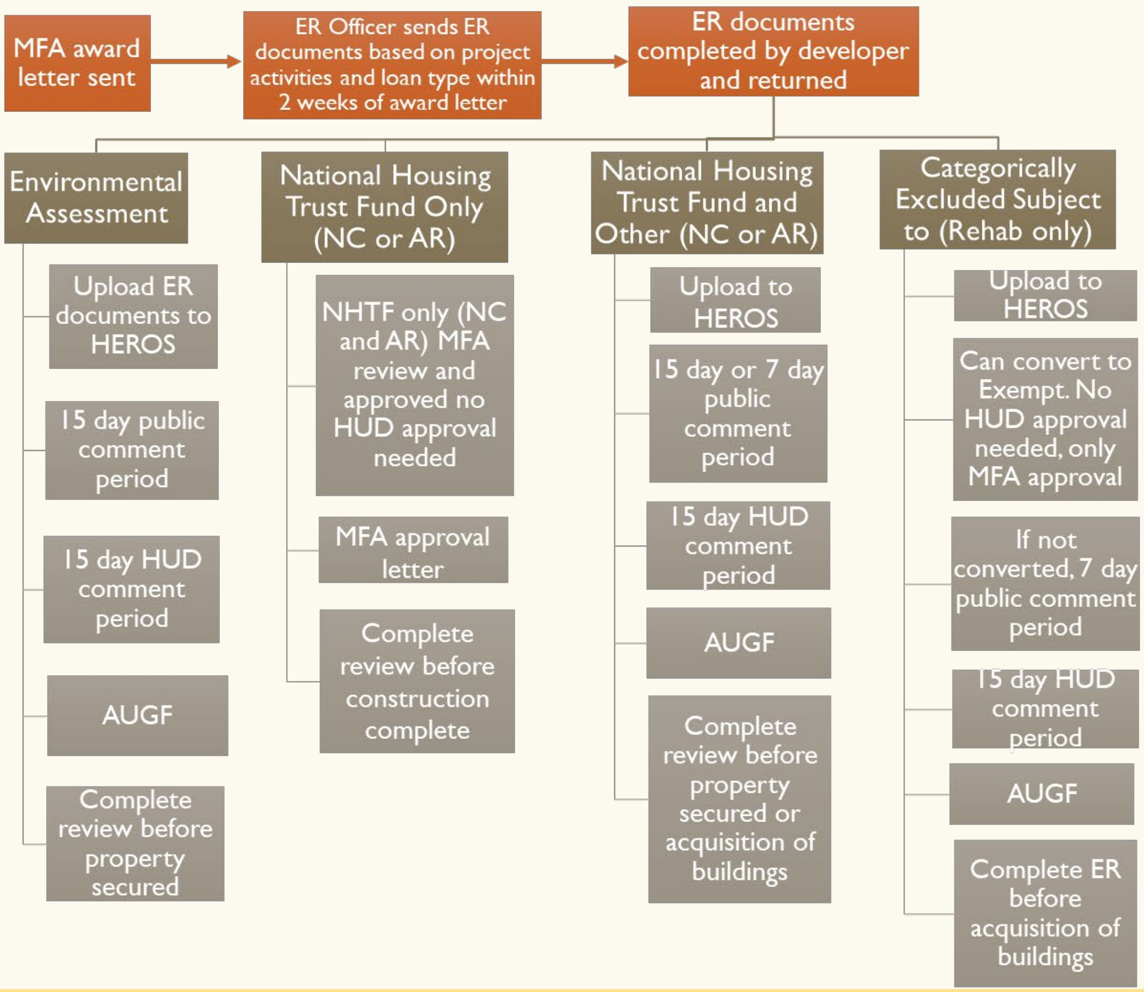
Environmental Review

Environmental Review Process



Things To Remember

- HOME, NHTF, and Risk Share
- Reviews must be completed before land purchase or execution of loan documents
- For NHTF loans only project, review must be completed before construction complete.

- Categorically Excluded Subject to §58.5
  - 30 to 60 days to complete
- Environmental Assessment
  - 60 to 90 days to complete
- Environmental Provisions (HTF only)
  - 7 to 15 days to complete
- Environmental Provisions (HTF and other Federal funds)
  - 60 to 90 days to complete
- Mitigation will extend the time to complete review.
- Historic Preservation Consultation
  - SHPO 30 days
  - THPO 35 days maximum
    - Due to Covid-19 THPO consultation extended, 35 days minimum.

Environmental Review

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Poll 7

Questions

MFA

Housing New Mexico

More Questions?

housingnm.org/developers

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