MFA

Housing New Mexico

New Mexico Low Income Housing Tax Credit 2023 Qualified Allocation Plan Training

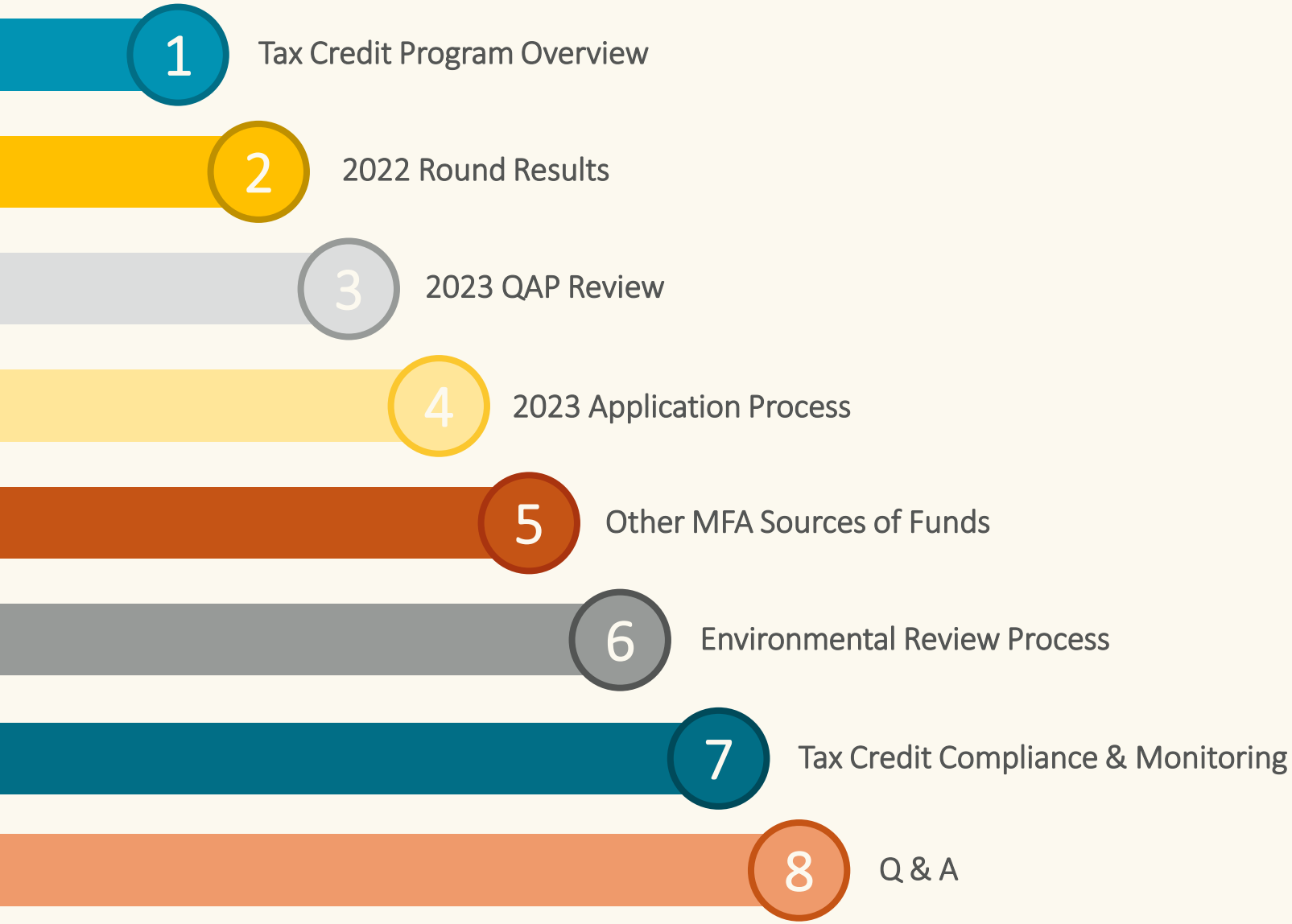
October 26, 2022

Agenda

1:00 PM	Welcome- Izzy Hernandez, Executive Director
1:10 PM	2022 Round Results- Kathryn Turner, Housing Development (HD)
1:20 PM	2023 QAP Review – Jeanne Redondo, HD
3:00 PM	Break
3:15 PM	2023 Application Process – Jeanne Redondo, HD
4:00 PM	Other MFA Sources of Funds – Jacobo Martinez, Sharlynn Rosales, and Tim Martinez, HD
4:20 PM	Environmental Review Process - Sharlynn Rosales, HD
4:30 PM	Tax Credit Monitoring & Compliance – Amanda Aragon, Asset Mgt
4:45 PM	Q & A
5:00 PM	Adjourn

MFA 2023 Qualified Allocation Plan

Training Workshop – October 26, 2022



Logistics for WebEx Training

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

MFA 2023 Qualified Allocation Plan

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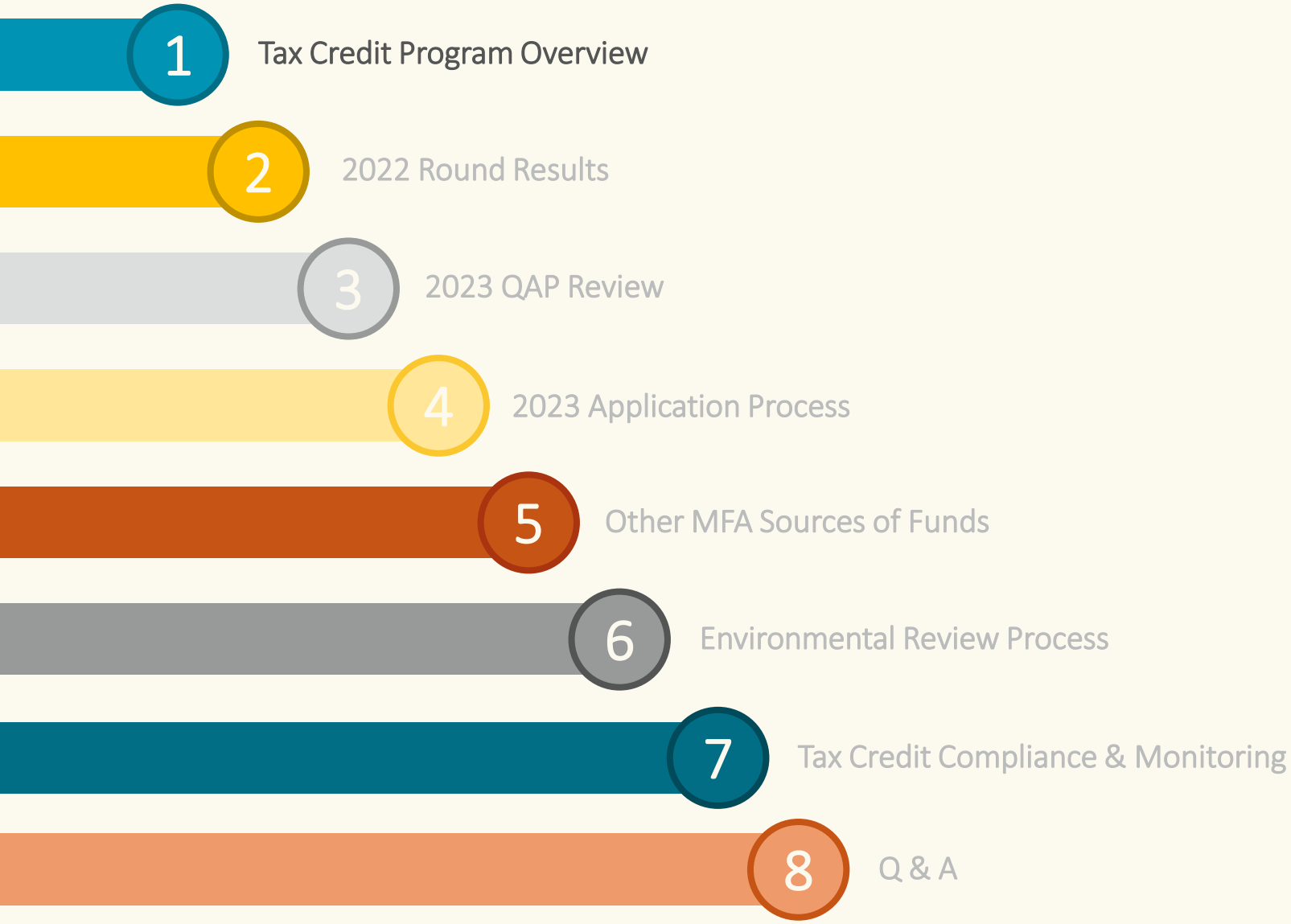

Tax Credit Timeline

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, purchase or lease the site, 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 2022-2023 LIHTC Calendar on website: housingnm.org**

Questions

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2022 Tax Credit Round

Of the 10 Applications submitted:

- $10,403,899 in credits were requested
  - Ratio of requests to credit ceiling was 1.89:1
  - This ratio increased from 1.34:1 in 2020
- Average TDC per unit for new construction is $249,930
- Up from $203,206 in 2021 and $202,888 in 2020
- Average project size decreased to 52.40 units compared to an average of 58.22 units in 2021 and 60.69 in 2020.

2022 Tax Credit Round

Six awards in 2022, Six awards in 2021

2022 Awarded Project Information:

- Projects sizes range from 20 to 70 units and award amounts range from $749,825 to $1,341,912
- A total of 70 affordable housing units will be rehabilitated and 215 new units will be constructed.
- All projects are serving housing priority populations
- All projects received points for non-profit or housing authority participation, locational efficiency, income levels of tenants, extended use period, leveraging resource, public housing authority marketing, and smoke-free properties
- No project received points under tenant ownership, historic property

The Most Successful Application

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

MFA 2023 Qualified Allocation Plan

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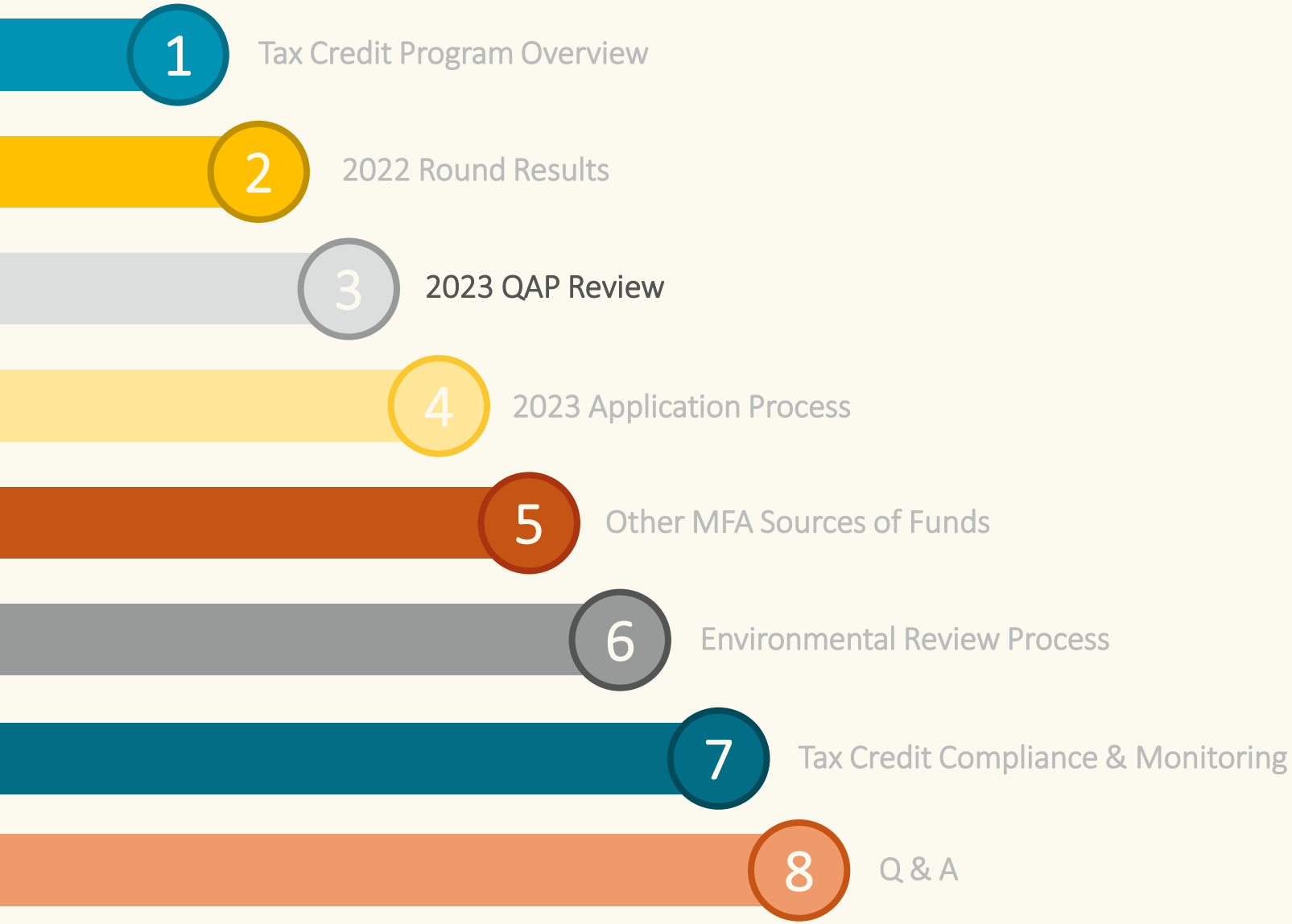


Qualified Allocation Plan

- 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 – Approved by Governor.

http://www.housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds

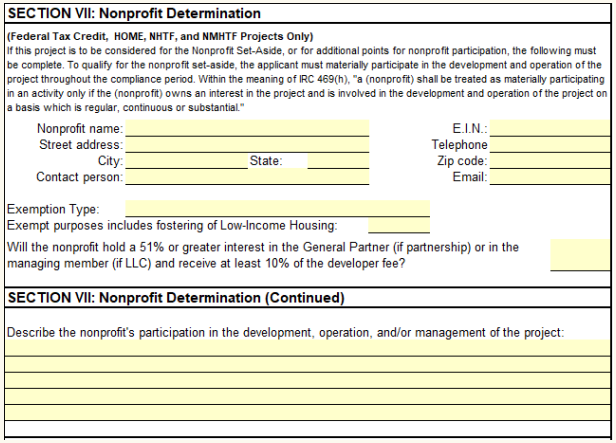
Don't forget about the FAQs as these are incorporated into the 2023 QAP by reference.

http://www.housingnm.org/developers/lihtc/applications-faq

Nonprofit Set Aside

Ten percent (10%) of the Annual Credit Ceiling will be set aside for Qualified Nonprofit Organization Eligible projects.

- 501(c)3, 501(c)4, or exempt from tax under Section 501(a)
- This set-aside is funded first
- Complete the information on Tab 2 – Page 8



SECTION VII: Nonprofit Determination

(Federal Tax Credit, HOME, NHTF, and NMHTF Projects Only)
If this project is to be considered for the Nonprofit Set-Aside, or for additional points for nonprofit participation, the following must be complete. To qualify for the nonprofit set-aside, the applicant must materially participate in the development and operation of the project throughout the compliance period. Within the meaning of IRC 469(h), "a (nonprofit) shall be treated as materially participating in an activity only if the (nonprofit) owns an interest in the project and is involved in the development and operation of the project on a basis which is regular, continuous or substantial."

Nonprofit name: E.I.N.:
Street address: Telephone
City: State: Zip code:
Contact person: Email:

Exemption Type:
Exempt purposes includes fostering of Low-Income Housing:

Will the nonprofit hold a 51% or greater interest in the General Partner (if partnership) or in the managing member (if LLC) and receive at least 10% of the developer fee?

SECTION VII: Nonprofit Determination (Continued)

Describe the nonprofit's participation in the development, operation, and/or management of the project:

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.

- Permanent Supportive Housing (PSH) Projects
- Tribal Projects

Underserved Populations Set Aside

- Indicate desire for the Project to participate in the Underserved Populations set-aside by:
- Checking the applicable box on Tab 1a

Underserved Populations Set Aside Requirements (if requesting LIHTC allocation through the set aside)			
☐	**Permanent Supportive Housing (PSH)**		
15c	PSH Certification of Quality		
☐	**Tribal Projects**		
15d	Map showing Project is located within a Tribal Trust Lands boundary		

- And:
  - Including the PSH Certification of Quality at Tab 15c or:
  - Insert a map showing the Project is located within a Tribal Trust Lands boundary at Tab 15d

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 25% or more of the total Unit count, and
- Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.
- Preliminary Service Plan New in 2023!

*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
- Market Study
- Pre-Application Requirements

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, 2023;
- 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.

- 2023 Fees
- Application fee $750 or $1,500
- Deposit of $12,000
- 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 no earlier than 180 days prior to 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% (except Tribal and Senior Projects)

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, reserves and bond costs of issuance are excluded.

Per project maximum Tax Credit award is $1,622,805 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 53 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
- Qualifying entity required to attend most recent QAP training
- Indicate on checklist if submitting as a qualified nonprofit, NMHA, TDHE or THA

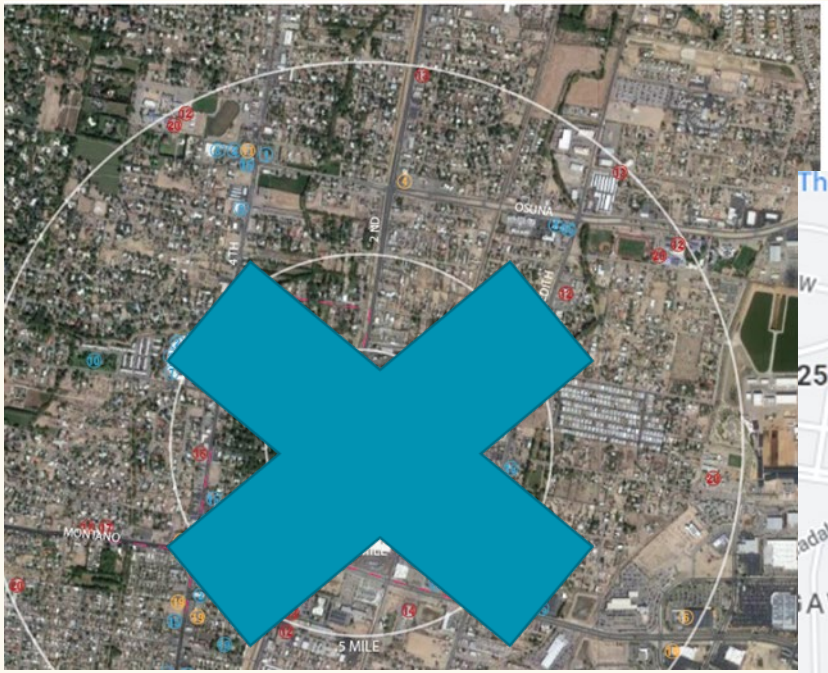
Scoring Criteria

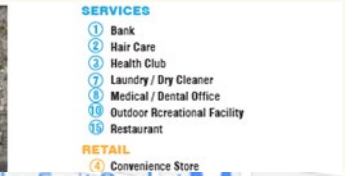
Criterion 2: Locational Efficiency (up to 6 points)

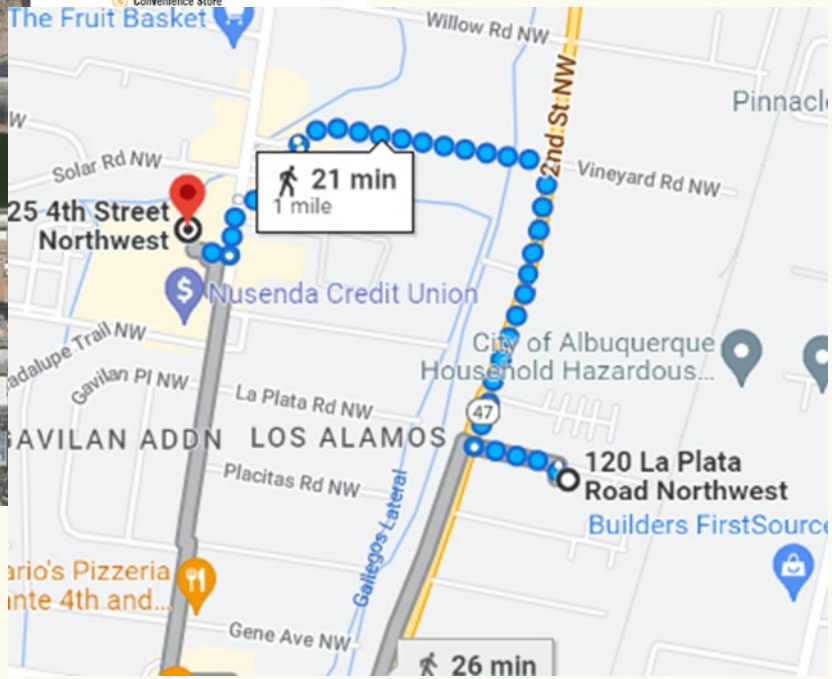
- Projects located in proximity and connected to:
  1) services and/or
  2) public transportation (new option for proximity to frequent transportation stops)
- List each amenity on the Locational Efficiency Score Worksheet (Tab 17a)
- Insert maps
- Insert additional documentation
  - Route Schedule, alternate transportation, etc.

Scoring Criteria

Criterion 2: Locational Efficiency (up to 6 points)

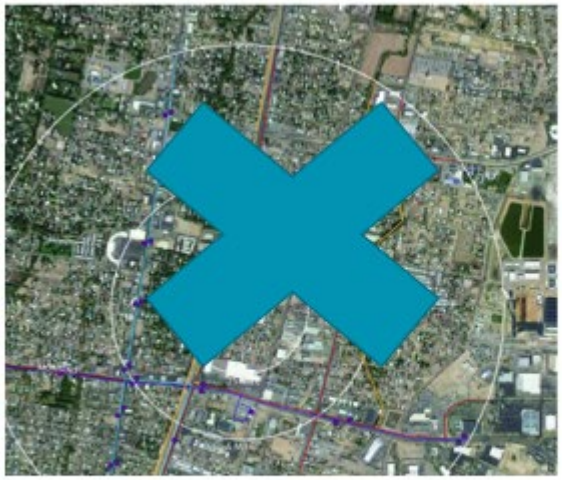






Scoring Criteria

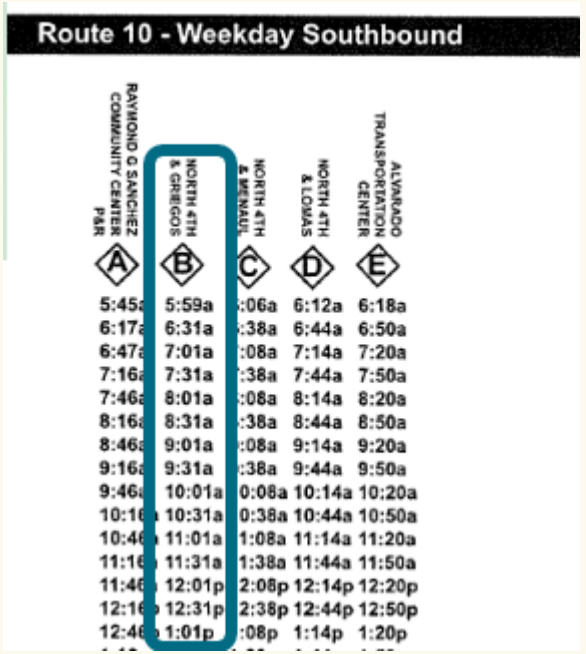
Criterion 2: Locational Efficiency (up to 6 points)



Scoring Criteria

Criterion 2: Locational Efficiency (up to 6 points)

- Frequent Transportation
  - ¼ mile walk distance
  - One hour headways Monday – Friday for at least three hours
  - Insert schedule and show which stop is claimed



Scoring Criteria

Criterion 3: Rehabilitation Projects (up to 5 points)

- Points available on a scale for projects that were last placed in service 21 – 29 years ago.
- Scope of work required at Application
- Cost thresholds for moderate/substantial rehab
- Detailed narrative + prelim relocation plan due
- Information on existing debt for feasibility analysis
- Capital Needs Assessment

Scoring Criteria

Criterion 4: Sustaining Affordability (6, 8, or 10 points)

10 points:

Use restrictions are to expire on or before December 31, 2027;

At imminent risk of conversion to market rate; or

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

8 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 (e.g., RAD)

6 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 (2 points)

- Minimum 15% of the total units.
- *If claiming point in Criterion 6 – ineligible for points in Criterion 5.*

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)

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)

- Threshold: Service Coordination Certification, at least 2 services + proposed budget
- Up to 8 points available for deeper services
- MOU – who and how services delivered; update
- Related party service provider – expertise narrative

Scoring Criteria

Criterion 9: Senior Housing (up to 10 points),

- 80% @ 55+ or 100% @ 62+ of total units reserved for Senior Housing.
- 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 at least $2,500 for the provision of social services.
- Senior Fair Housing Certification required (see 21d of application).

Scoring Criteria

Criterion 10: Households with Children (up to 8 points)

- 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 at least $2,500 for the provision of social services.

Scoring Criteria

Individuals 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*

"At least" = Round down, not up

Scoring Criteria

Frequent Errors for Criteria 8 – 10:

- Information for service providers missing
- Marketing plan missing (targeted Special Needs)
- Service Budget:
  - Missing entirely
  - Sources/Uses don’t balance
  - Sources to pay for services not identified on budget
  - Only stating that a source is providing a service without including the amount that source is paying

Scoring Criteria

Service Budget needs to be complete and balance:

Budget

Revenue Sources	$ Amount				
	Year 1	Year 2	Year 3	Year 4	Year 5
Property operating budget	2,500	2,500	2,500	2,500	2,500
Management company budget					
Owner contribution	250	250	250	250	250
Grant: Local Grant	10,000	10,000	10,000	10,000	10,000
Other:					
Other:					
Total:	12,750	12,750	12,750	12,750	12,750

Expenses	$ Annual				
	Year 1	Year 2	Year 3	Year 4	Year 5
Personnel (salary/fringe)	10,000	10,000	10,000	10,000	10,000
Training	2,000	2,000	2,000	2,000	2,000
Office Supplies	500	500	500	500	500
Transportation	250	250	250	250	250
Total:	12,750	12,750	12,750	12,750	12,750

Scoring Criteria

Criterion 11: Leveraging Resources (up to10 points)

- Up to 10 points for eligible contribution corresponding to the percentage of TDC contributed.
- Whole points only – rounded down
  - (e.g., 2.7% = 2 points)
- 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.

Scoring Criteria

Criterion 11: Leveraging Resources (up to10 points)

- Unrelated 3rd party
  - Cash grant, donated land/building
- General Partner
  - Deferred Developer Fee, donated land/building
- Government
  - Cash, soft loan with no required payment
  - Construction permit fee waivers
  - Land/Buildings
- Tribal
  - Cash, soft loan with no required payment
  - Land (5 points automatic)

Scoring Criteria

Criterion 11: Leveraging Resources (up to10 points)

Developer Fee must be able to be repaid within 15 years. In this example, $500,000 is reduced to $480,506.

Annual Projections (Post Construction Period)	1	2	13	14	15
Income					
Effective Gross Income (EGI)	***489,377***	***499,165***	***620,649***	***633,062***	
Expenses					
Total Expenses	318,720	327,965	449,441	462,524	
Net Operating Income	***170,657***	***171,199***	***171,207***	***170,538***	
Annual Debt Service (Hard Debt)					
First Mortgage	139,727	139,727	139,727	139,727	
Total Debt Service	***139,727***	***139,727***	***139,727***	***139,727***	
Net Project Cash Flow	***30,930***	***31,472***	***31,480***	***30,811***	
Debt Service Coverage - First	**1.22**	**1.23**	**1.23**	**1.22**	
Debt Service Coverage - All Debt	**1.22**	**1.23**	**1.23**	**1.22**	
Required Investor Fee					
Deferred Developer Fee	**469070**	**437597**	**80310**	**49499**	**19494**

LIHTC Project Selection Criteria
Leveraging Resources Worksheet

0

Total development cost	$ 23,000,000
Amount or value and description of leverage	
National Housing Trust Fund	$ 400,000
Federal Home Loan Bank AHP	$ 500,000
Deferred Developer Fee	$ 500,000
	$ -
Contribution/total development cost	6.1%
Eligible points	

The amount or value of the resource must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A. Total development cost must be as listed in Cell C:98 on Schedule A.

Scoring Criteria

Criterion 11: Leveraging Resources - Exclusions

- Sources with hard payments during the affordability period (e.g., MFA HOME, NM HTF)
- Tax abatements
- Remediation paid by previous owner
- Non-verifiable/non-measurable (e.g., in-kind)
- Stale (i.e., earlier than 1/20/2021)
- Proceeds of a loan of a capitalized lease payment

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 - signed by all General Partners in blue ink and legible scan or electronically signed using a 3rd party verified digital signature and converted to pdf
- Uploaded entire application to MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/
- Current electronic application in excel and fully tabbed pdf that is redacted for PPI; each bookmark must include all documents required for the respective tab
- Do not rely solely on Application Checklist (READ THE QAP)

“Fully Tabbed”

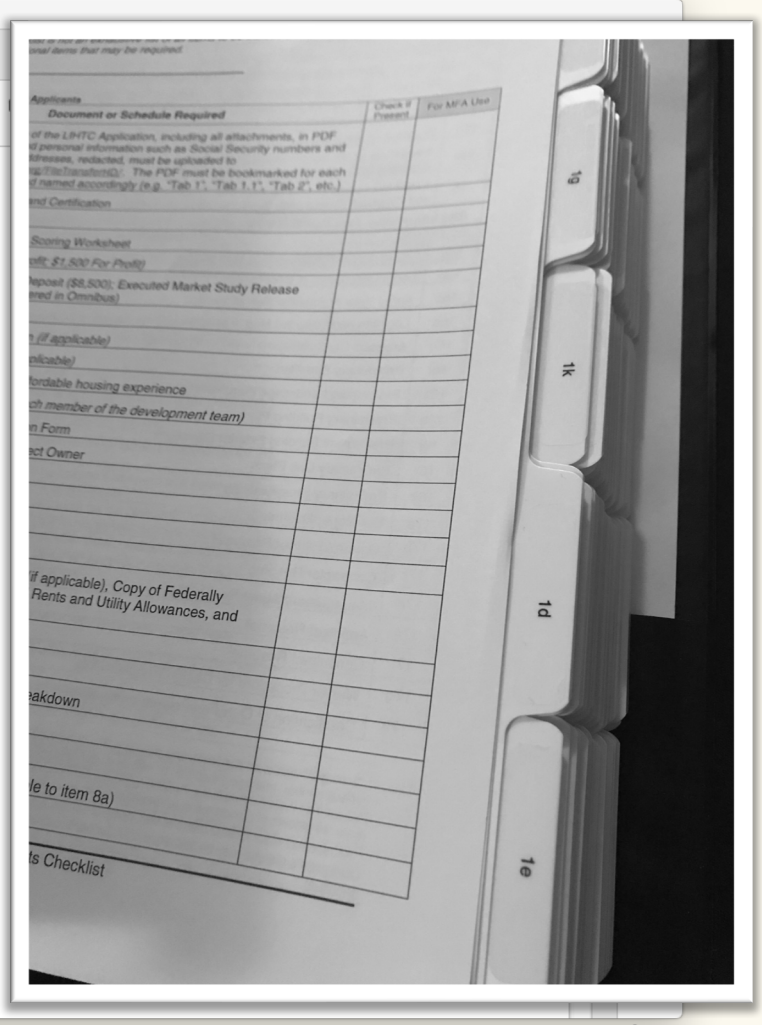
Bookmark Test.pdf

Home Tools Bookmark Test.pdf ×

2 / 2 81%

Bookmarks

- 1b Omnibus Signature Page and Certification
- 1c Attachments Checklist
- 1d Tax Credit Selection Criteria
- 1e Application Fee
- 1f Market Study/Design Review Deposit; Executed Market Study Release Form
- 1g Project Narrative
- 1h Displacement and Relocation Plan
- 1i Rehabilitation Scope of Work
- 1j One page summary of Developer affordable housing experience
- 1k Related Party Affidavit(s)
- 2a Rental Development Project Application Form
- 2b Organizational Chart for Proposed Project Owner
- 2c Utility Allowance Documentation
- 3a Schedule A: Development Cost Budget



Poll 3

Scoring Criteria

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

- Include letter to PHA or Indian Agency committing to market units to their waitlist

Scoring Criteria

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 area or State Designated New Mexico Arts and Cultural District 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 14: QCT/Concerted Community Revitalization Plan (3 or 5 points)

Criterion	Requirement(s)	Criterion Met
Concerted Community Revitalization Plan (3 points for meeting one of three requirements:)	**Metropolitan Redevelopment Area** A Concerted Community Revitalization Plan is defined as a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government prior to the Application deadline. For Projects located on sovereign tribal lands, "Concerted Community Revitalization Plan" means a written plan similar in content and affect to a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government prior to the Application deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries. Description of the specific housing activity promoted in the plan: Affordable housing in the downtown corridor Page number(s) of the plan describing the specific housing activity promoted: 12	YES
	New Mexico Designated MainStreet area Is the project located within ½ mile of a New Mexico designated MainStreet area?	NO
	State-Designated New Mexico Arts and Cultural District Is the project located within ½ mile of a State-Designated New Mexico Arts and Cultural District?	NO
Qualified Census Tract (QCT) (2 points if QCT and above requirement met)	Is the project located within a 2022 QCT?	YES

- Eligible for 5 points if:
- Tab 25a of Application properly completed
  - Describe specific housing activity
  - Insert page number where that housing activity found in the CCRP
- CCRP meets NMSA 1978 Section 3-60A-4 *AND*
  - (i.e., not merely an affordable housing plan
- CCRP documentation included in Application

Scoring Criteria

Criterion 15: Projects with Units Intended for Eventual Tenant Ownership (2 points)

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

Criterion 16: Historic Significance (2 points)

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

Poll 4

Scoring Criteria

Criterion 18: Efficient Use of Credits
(1, 3, or 5 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 – Tribal and PSH

New Construction	<$21,734/unit	AND	<$22.46/sq.ft.	=5 Points
	<$23,907/unit	AND	<$24.63/sq.ft.	=3 Points
	<$21,734/unit	OR	<$22.46/sq.ft.	=1 Points
Substantial Rehab	<$19,018/unit	AND	<$19.64/sq.ft.	=5 Points
	<$20,920/unit	AND	<$21.56/sq.ft.	=3 Points
	<$19,018/unit	OR	<$19.64/sq.ft.	=1 Points
Moderate Rehab	<$16,300/unit	AND	<$16.85/sq.ft.	=5 Points
	<$17,930/unit	AND	<$18.47/sq.ft.	=3 Points
	<$16,300/unit	OR	<$16.85/sq.ft.	=1 Points

Scoring Criteria – Non-Tribal/PSH

New Construction	<$20,789/unit	AND	<$21.48/sq.ft.	=5 Points
	<$22,867/unit	AND	<$23.56/sq.ft.	=3 Points
	<$20,789/unit	OR	<$21.48/sq.ft.	=1 Points
Substantial Rehab	<$18,191/unit	AND	<$18.78/sq.ft.	=5 Points
	<$20,010/unit	AND	<$20.63/sq.ft.	=3 Points
	<$18,191/unit	OR	<$18.78/sq.ft.	=1 Points
Moderate Rehab	<$15,592/unit	AND	<$16.12/sq.ft.	=5 Points
	<$17,151/unit	AND	<$17.67/sq.ft.	=3 Points
	<$15,592/unit	OR	<$16.12/sq.ft.	=1 Points

Scoring Criteria

Criterion 19: Non-Smoking Properties (4 or 6 pts)

- Smoke Free at Home program:
  - Platinum certification = 6 points (NC)
  - Gold certification = 6 points (Rehab/Adaptive Reuse)
  - Silver certification = 4 points (All project types)

Scoring Criteria

Criterion 20: Adaptive Reuse Projects (2 points)

- In combined new construction and Adaptive Reuse Projects, space converted to Units 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 9 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, honorably discharged or retired veterans.
- Women and Minority Owned Businesses

Other Changes in the 2023 QAP

- 4% TEB projects – distance to fresh produce
- Supplemental LIHTC limits waiver
- 20-year requirement not required to participate
- Application Deadline now January 20, 2023
- Direct Cost Deposit now $12,000
- 2022 Cost Limits stated for reference
- Schedule H updated
- If awarded, video for board presentation
- List of Appendices at the Back of the QAP
- Bond Checklist

Requirements for 4% Projects

- Serve a targeted population and meet the applicable threshold requirements for that targeting as described in Scoring Criteria 8-10 or meet the requirements for the Underserved Populations set-aside as described in Section III.D
- Platinum or Gold Smoke-Free at Home Certification
- 2022 Design Requirements (including HERS)
- Located within 15 minutes of facility with fresh produce
- Market study vacancy rate in PMA of less than 10%
- Market to local PHA
- Preference for veterans in tenant selection criteria

Cost Certification

Certification by a CPA is required to certify compliance with the 10% test as defined in Section IV.G.8.a. Prior to the issuance of a LIHTC certification (IRS Form 8609), MFA will require two Cost Certifications to be prepared, one by an independent CPA and executed by both the CPA and Project Owner, and a second Cost Certification prepared and executed by the general contractor. The Cost Certification prepared and executed by the general contractor should reflect real costs to the general contractor, but those cost may not be reflected in the CPA-prepared Cost Certification if the project entered into a Maximum Guaranteed Price or Stipulated Sum Contract for example. In those cases, the owner-incurred costs should be reflected in the CPA-prepared document, regardless of the general contractor costs. The general contractor Cost Certification may not meet MFA cost requirements if a Maximum Guaranteed Price or Stipulated Sum Contract was utilized.

Cost Certification (Form A)

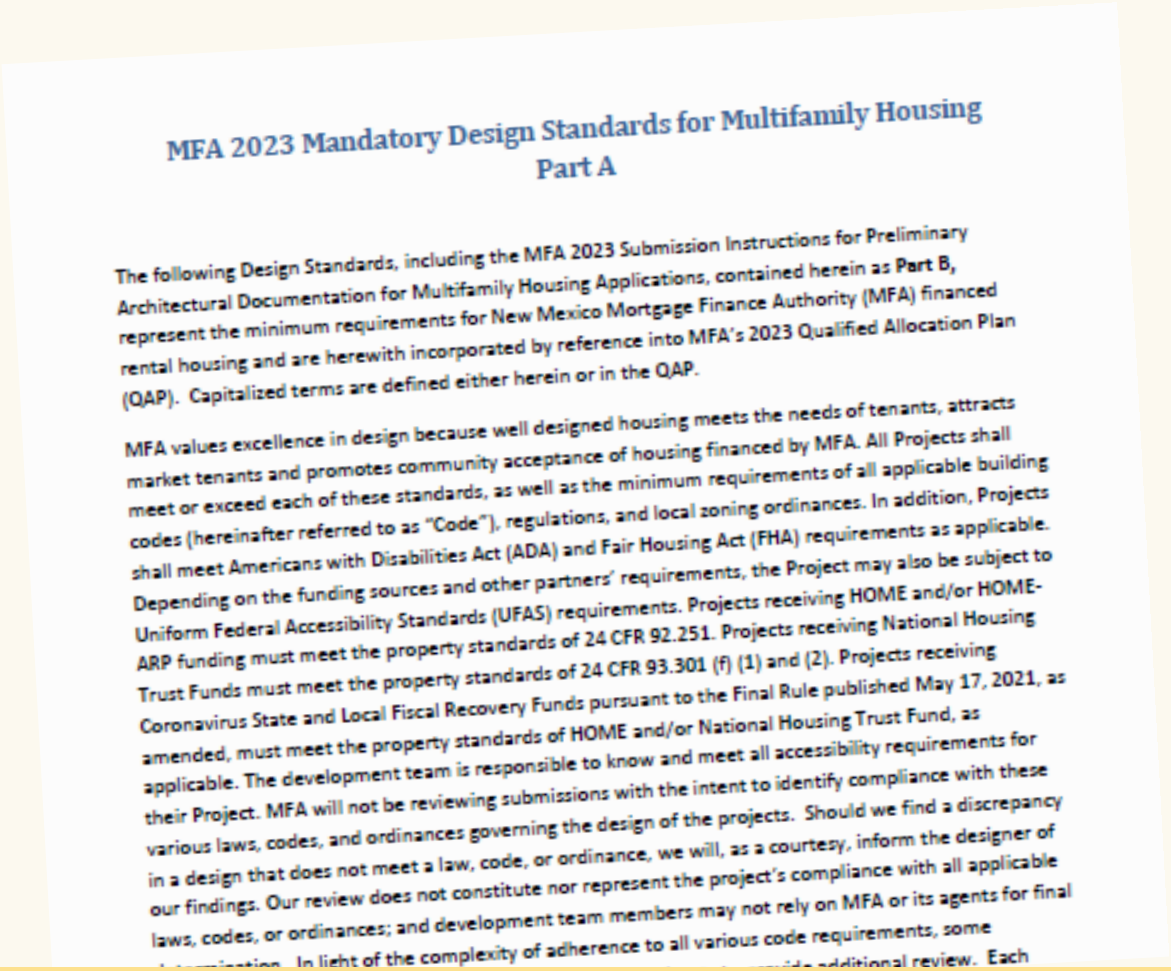
- MFA audit may be required
- Fully substantiate all line item balances
  - invoices, settlement statements, cancelled checks, lien release waivers
- Details how balance of each line is tabulated available
- Consistency between supporting documents and Form A

General Contractor's Cost Certification

- Not required for Stipulated Sum Contracts
- Not required for Maximum Guaranteed Price Contracts
- Actual costs incurred by the GC
- Fully completed
  - Vendor names
  - Relationship between parties
  - Invoices
  - Payroll Details
  - Cancelled Checks
  - Lien Release Waivers

Poll 5

Mandatory Design Standards



MFA 2023 Mandatory Design Standards for Multifamily Housing Part A

The following Design Standards, including the MFA 2023 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 2023 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 and/or HOME-ARP 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). Projects receiving Coronavirus State and Local Fiscal Recovery Funds pursuant to the Final Rule published May 17, 2021, as amended, must meet the property standards of HOME and/or National Housing Trust Fund, as applicable. 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 ordinance, we will, as a courtesy, inform the designer of our findings. Our review does not constitute nor represent the project's compliance with all applicable laws, codes, or ordinances; and development team members may not rely on MFA or its agents for final [illegible] In light of the complexity of adherence to all various code requirements, some [illegible] additional review. Each

Dates to Remember

2023 Tax Credit Round:

- Applications due January 20, 2023
- Awards: May 2023
- Carryover Application: November 15, 2023
- Final plan submittal: June 30, 2024
- 10% Test + Evidence of Construction Start ***and Site Control***: August 31, 2024
- Placed in Service or Final Allocation App: Nov. 15, 2025

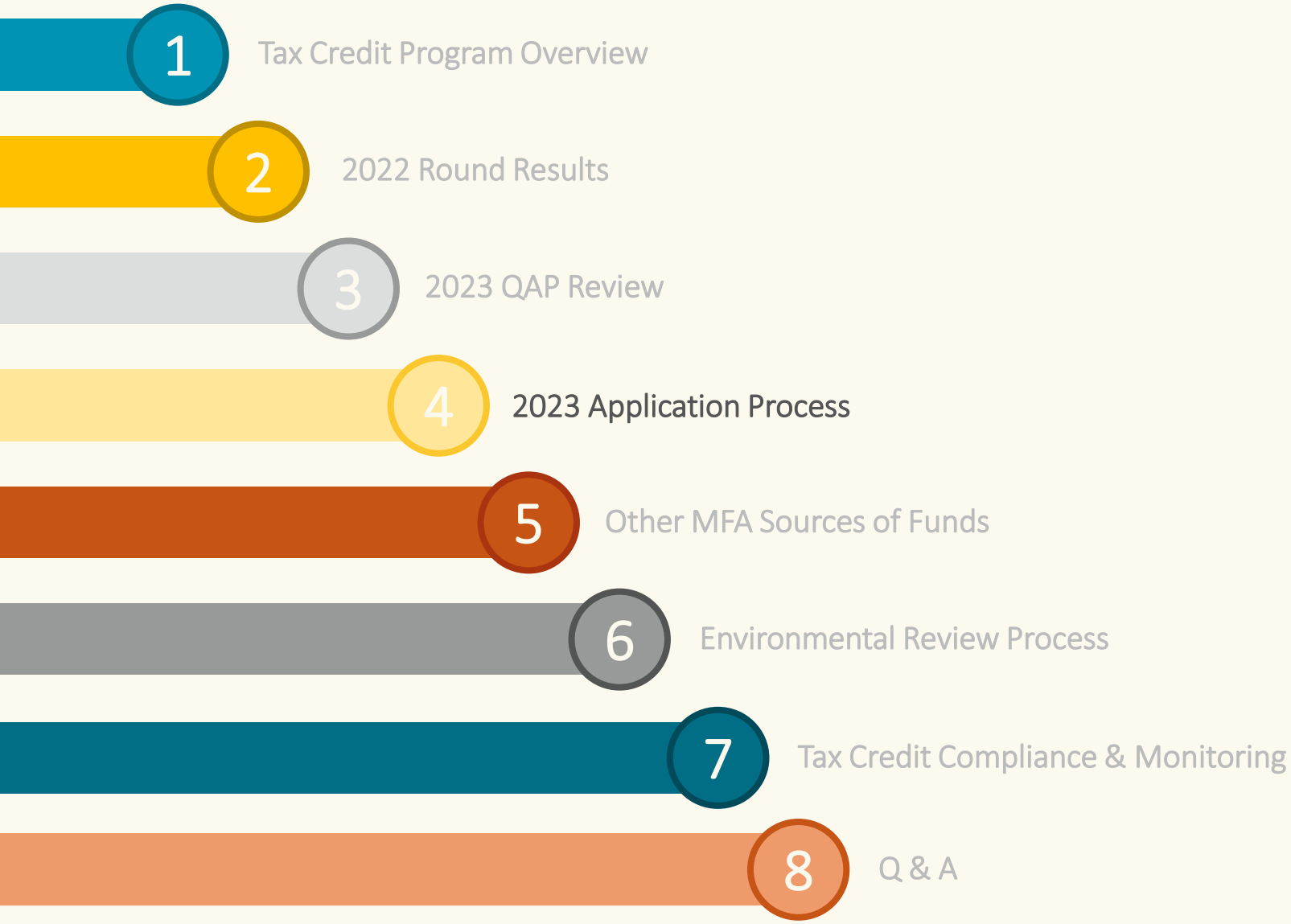
See LIHTC calendar for additional dates

Questions

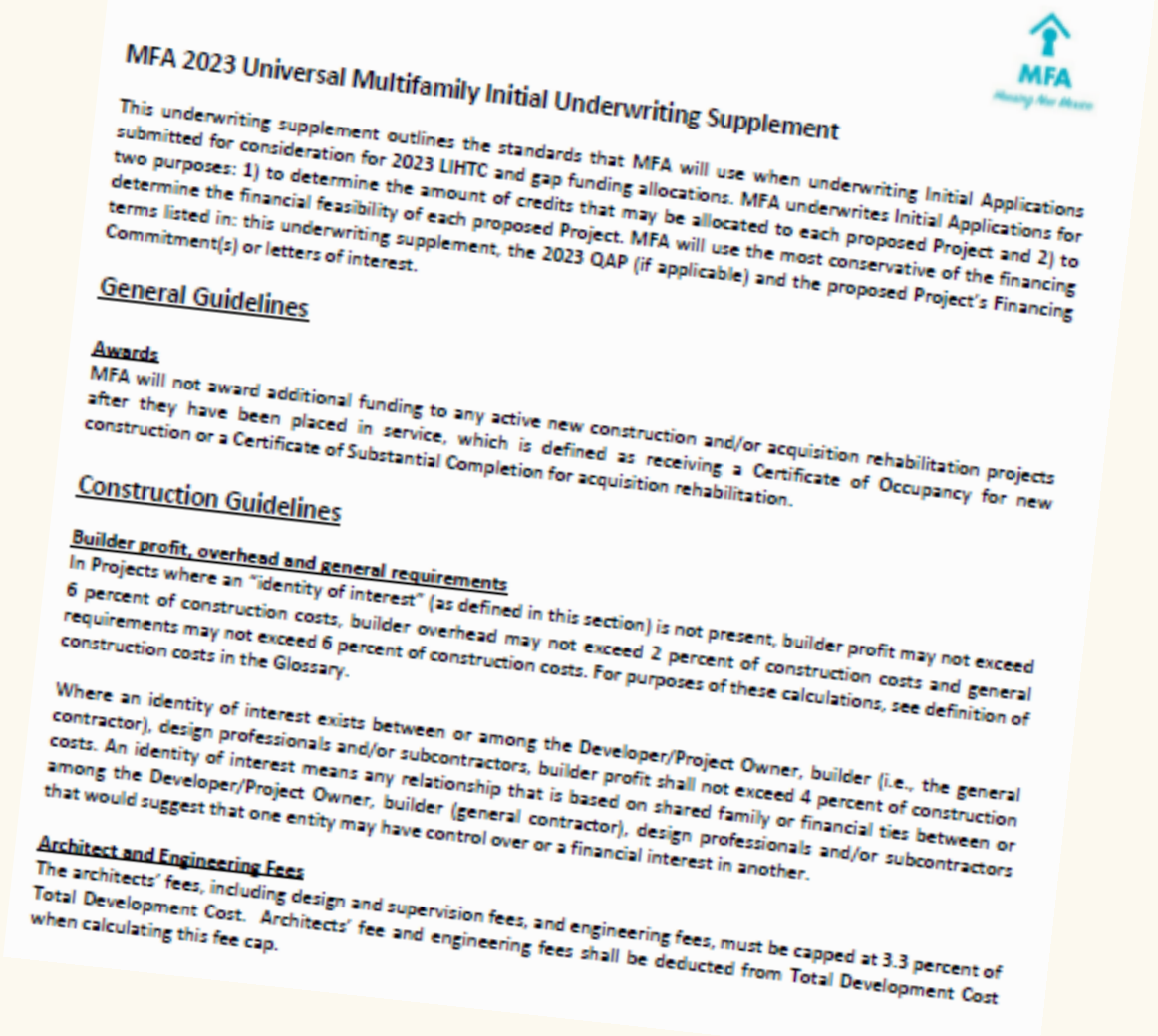
MFA
Housing New Mexico

MFA 2023 Qualified Allocation Plan

Training Workshop – October 26, 2022



Universal Underwriting Supplement



MFA 2023 Universal Multifamily Initial Underwriting Supplement

This underwriting supplement outlines the standards that MFA will use when underwriting Initial Applications submitted for consideration for 2023 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 most conservative of the financing terms listed in: this underwriting supplement, the 2023 QAP (if applicable) and the proposed Project's Financing Commitment(s) or letters of interest.

General Guidelines

Awards

MFA will not award additional funding to any active new construction and/or acquisition rehabilitation projects after they have been placed in service, which is defined as receiving a Certificate of Occupancy for new construction or a Certificate of Substantial Completion for acquisition rehabilitation.

Construction Guidelines

Builder profit, overhead and general requirements

In Projects where an "identity 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 (i.e., 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 between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors that would suggest that one entity may have control over or a financial interest in another.

Architect and Engineering Fees

The architects' fees, including design and supervision fees, and engineering fees, must be capped at 3.3 percent of Total Development Cost. Architects' fee and engineering fees shall be deducted from Total Development Cost when calculating this fee cap.

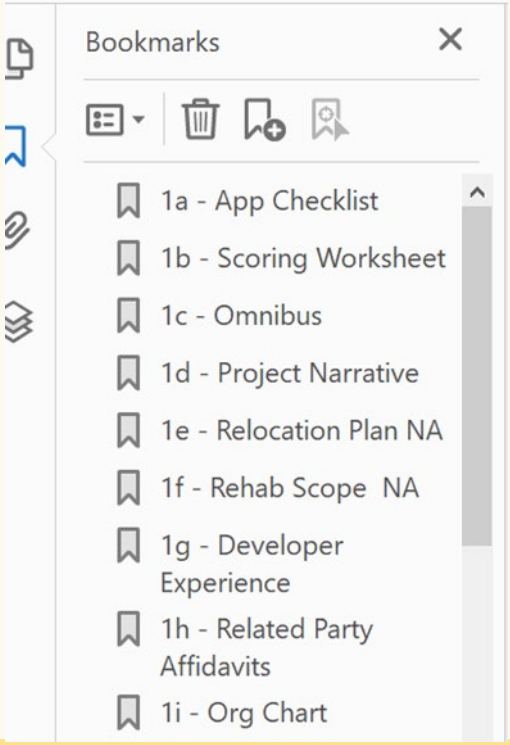
Application Review

Universal Rental Development Application

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

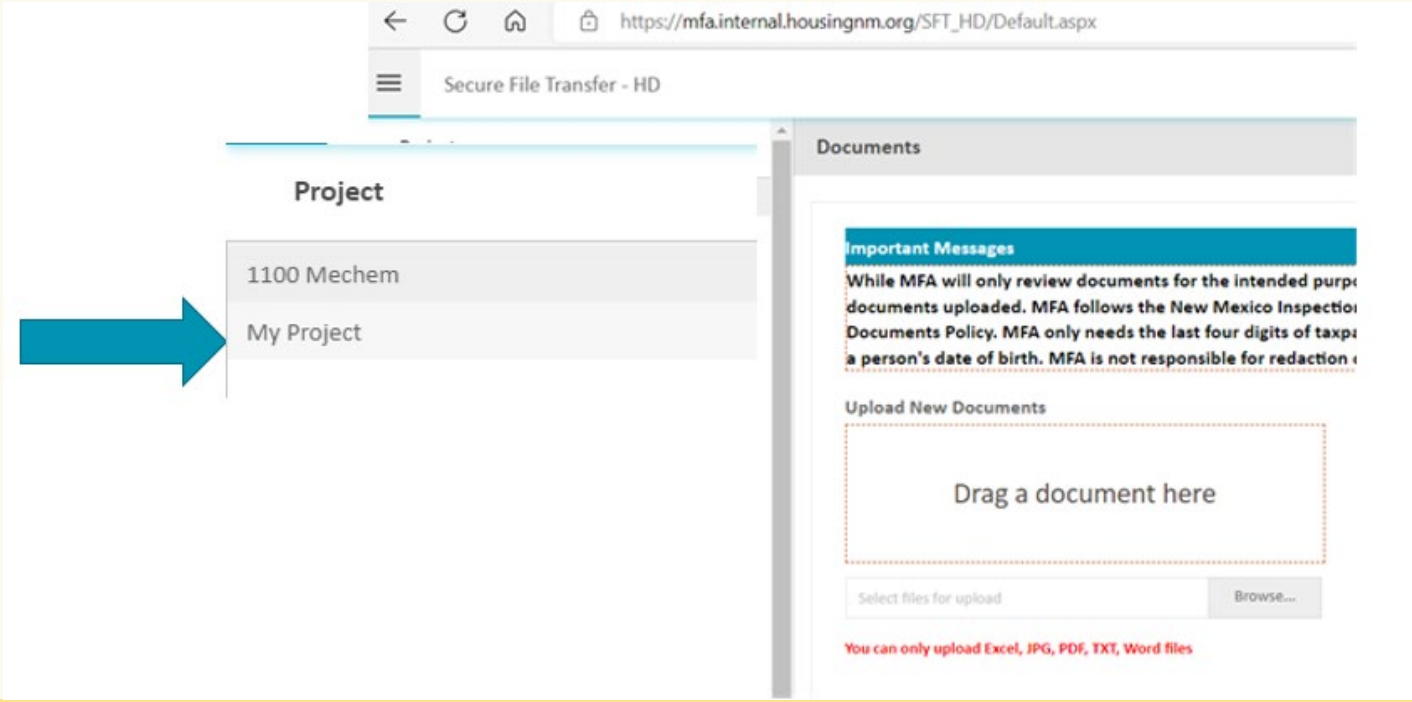
Submittal Format

- One PDF file bookmarked with each applicable tab and named to match the Attachments Checklist



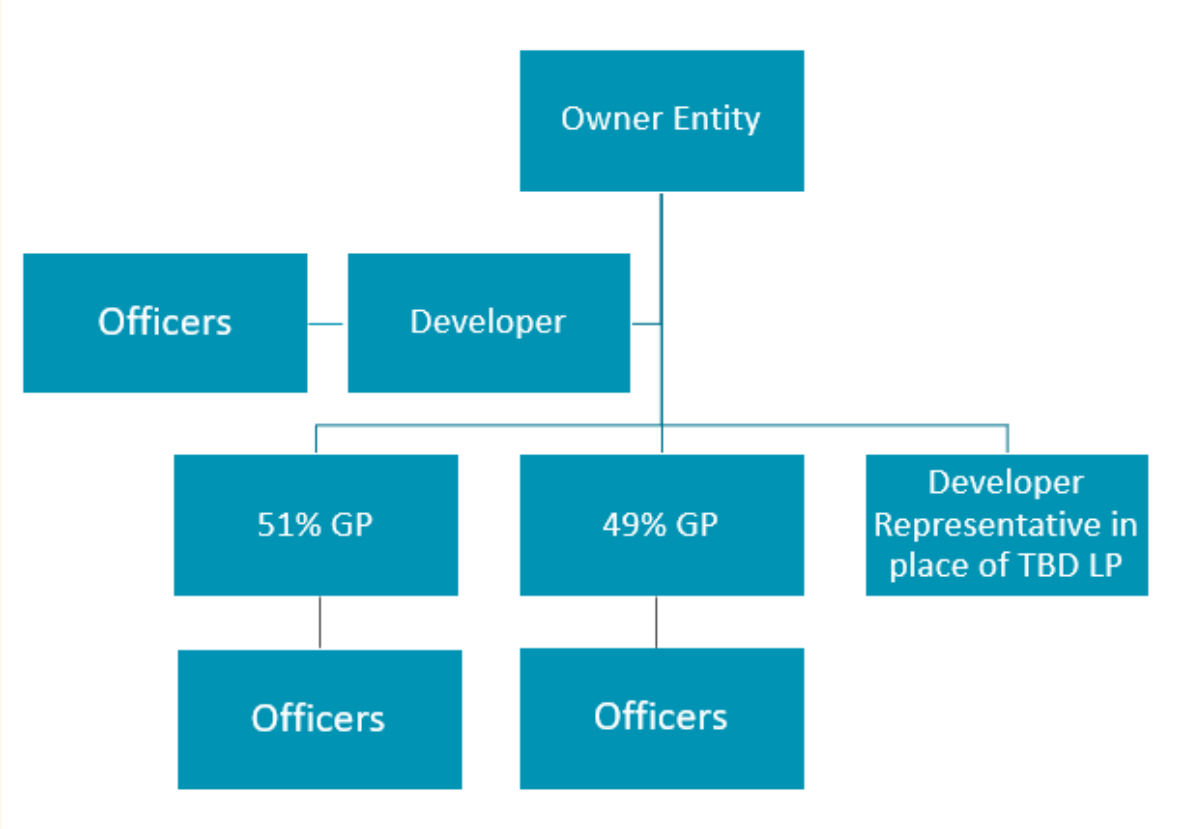
Upload to MFA File Share Site

- Register for account – your project assigned to your account
- https://mfa.internal.housingnm.org/SFT_HD/



Compliance Affidavit

- Each Principal (see Glossary) must complete and sign



Tab 2 – Pages 1 – 8
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
- Identify local official

Ownership Information

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

Development team

- Identity of interest
- Developer fee amount
- Attach resumes

Application Form

Application Errors

SECTION III: Description of Project

Subsidy, Period of Affordability - Use Restriction

Will project use project-based rental assistance subsidies? No — No. of Units:

Will project accept Section 8 vouchers or certificates? Yes

Low Income Housing Tax Credit Applications:

Project owner irrevocably commits to an Extended Use Period of ____ years.* At least 30 years

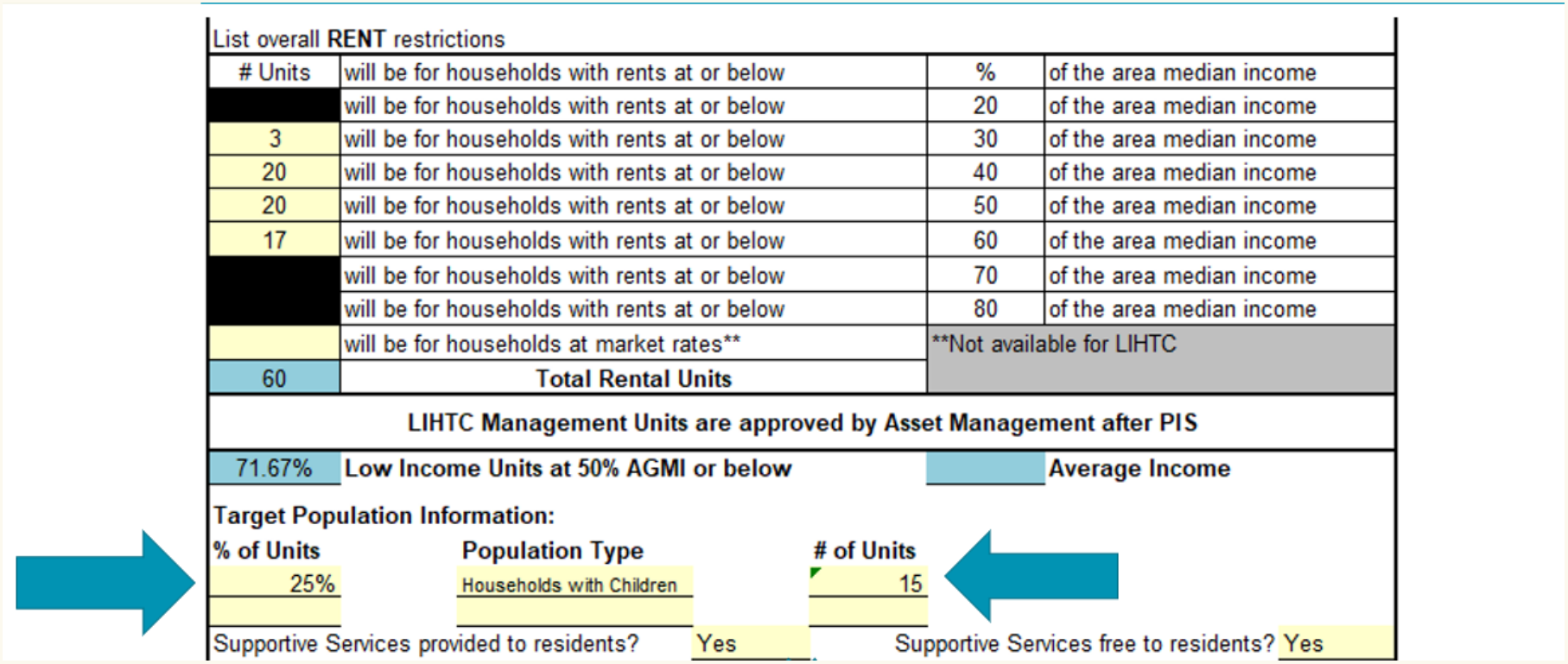
*Includes 15 yr. compliance period

National Housing Trust Fund

The owner irrevocably commits to a use restriction period of ____ years. At least 30 years

Application Form

Application Errors



List overall **RENT** restrictions

# Units			
# Units	will be for households with rents at or below	%	of the area median income
	will be for households with rents at or below	20	of the area median income
3	will be for households with rents at or below	30	of the area median income
20	will be for households with rents at or below	40	of the area median income
20	will be for households with rents at or below	50	of the area median income
17	will be for households with rents at or below	60	of the area median income
	will be for households with rents at or below	70	of the area median income
	will be for households with rents at or below	80	of the area median income
	will be for households at market rates**	**Not available for LIHTC	
60	**Total Rental Units**		

LIHTC Management Units are approved by Asset Management after PIS

71.67%	**Low Income Units at 50% AGMI or below**		**Average Income**

Target Population Information:

% of Units	**Population Type**	**# of Units**
25%	Households with Children	15

Supportive Services provided to residents? Yes

Supportive Services free to residents? Yes

Application Form

Application Errors

Target Population Information:

% of Units	Population Type	# of Units
80%	Seniors	48

Target Population Information:

% of Units	Population Type	# of Units
100%	Seniors	60

Must be aged 62+

Target Population Information:

% of Units	Population Type	# of Units
25%	Special Needs	15

Target Population Information:

% of Units	Population Type	# of Units
25%	Veterans	15

This is a preference, not target population

Veteran's preference on letterhead at Tab 32 – Criterion 22) Other Scoring Points Available.

Tab 3
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:

- First 30 low-income Units - $22,500 per Low Income Unit, plus
- LI Units 31-60 - $20,000
- LI Units 61+ - $17,500
- Total Developer Fee limited to lesser of:
  - $2M calculated as above or 14% TDC

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

Poll 6

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

$22,500	per Low Income Units 1-30
30	Low Income Units
$675,000	Plus:
$20,000	per Low Income Units 31-60
30	Low Income Units
$600,000	

$675,000 + $600,000 = $1,275,000 Developer Fee

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

Developer Fee Calculation

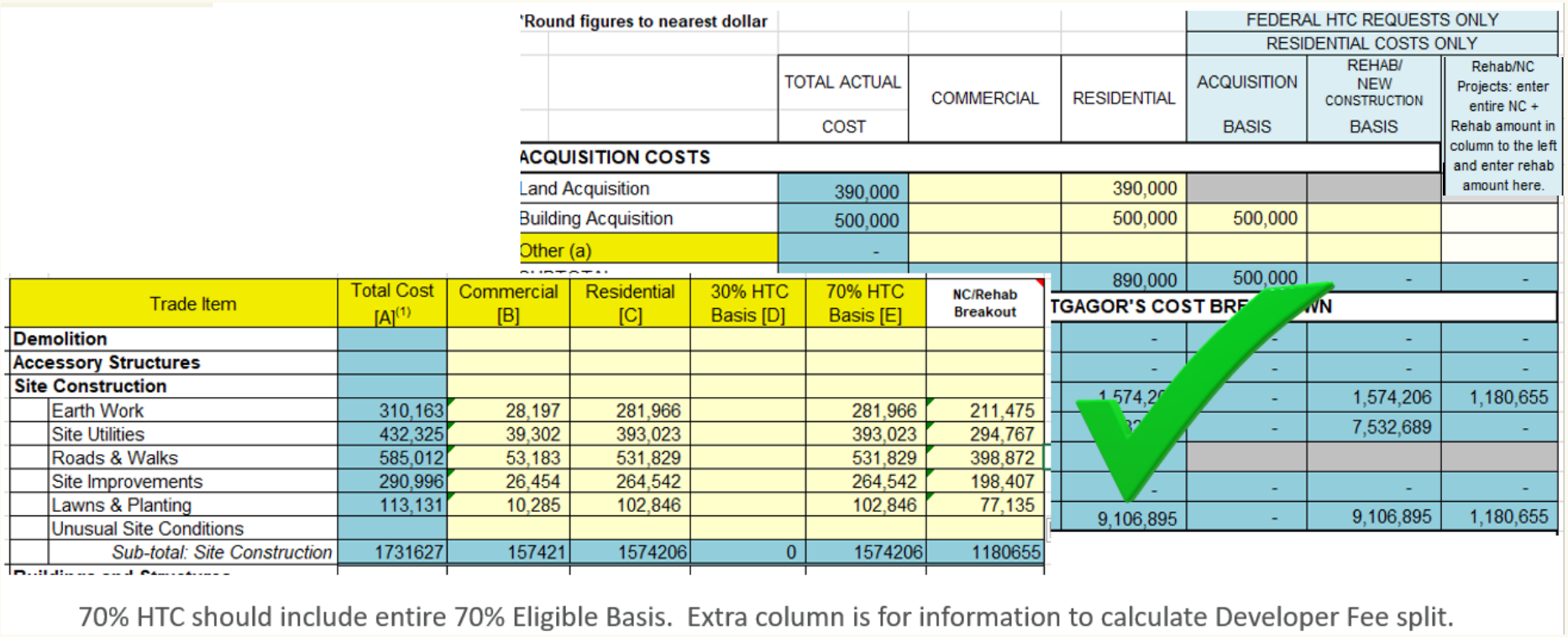
- Acquisition/Rehabilitation Developer Fee Split
- 30% basis proportionate to acquisition cost (not including land)/TDC

- Assume the following amounts:
- Acquisition Costs in Basis (ACB) = $100,000
- Total Development Costs (TDC) = $1,000,000
- Total Developer Fee (TDF) = $140,000
- What is the split?

ACB / TDC = Percentage of Acquisition portion of Developer Fee (%DF)	$100,000/$1M = 10%
%DF x TDF = Amount of Acquisition portion of Developer Fee (ADF)	10% x $140,000 = $14,000
TDF – ADF = Amount of Rehab portion of Developer Fee	$140,000 - $14,000 = $126K

Therefore, the $140,000 developer is split between acquisition for $14,000 and rehabilitation at $126,000.

Schedule A/D Columns



'Round figures to nearest dollar

	TOTAL ACTUAL COST	COMMERCIAL	RESIDENTIAL	FEDERAL HTC REQUESTS ONLY / RESIDENTIAL COSTS ONLY: ACQUISITION BASIS	REHAB/ NEW CONSTRUCTION BASIS	Rehab/NC Projects: enter entire NC + Rehab amount in column to the left and enter rehab amount here.
ACQUISITION COSTS						
Land Acquisition	390,000		390,000			
Building Acquisition	500,000		500,000	500,000		
Other (a)	-					
			890,000	500,000	-	-

Trade Item	Total Cost [A](1)	Commercial [B]	Residential [C]	30% HTC Basis [D]	70% HTC Basis [E]	NC/Rehab Breakout
Demolition						
Accessory Structures						
Site Construction						
Earth Work	310,163	28,197	281,966		281,966	211,475
Site Utilities	432,325	39,302	393,023		393,023	294,767
Roads & Walks	585,012	53,183	531,829		531,829	398,872
Site Improvements	290,996	26,454	264,542		264,542	198,407
Lawns & Planting	113,131	10,285	102,846		102,846	77,135
Unusual Site Conditions						
Sub-total: Site Construction	1731627	157421	1574206	0	1574206	1180655

TGAGOR'S COST BRE WN

-	-	-	-	-
-	-	-	-	-
1,574,20	-	1,574,206	1,180,655	
	-	7,532,689	-	
-	-	-	-	
9,106,895	-	9,106,895	1,180,655	

70% HTC should include entire 70% Eligible Basis. Extra column is for information to calculate Developer Fee split.

Accounting Costs

- Where should the accounting cost be entered?

31	Other (b)	-					
32	SUBTOTAL	2,254,440	-	2,254,440	-	2,254,440	-
33	**PROFESSIONAL SERVICES/FEES**						
34	Architect (Design)	215,000		215,000		215,000	
35	Architect (Supervision)	75,000		75,000		75,000	
36	Attorney (Real Estate)	90,000		90,000		50,000	
37	Engineer/Survey	45,000		45,000		45,000	
38	Other (c)	30,000		30,000		30,000	
39	SUBTOTAL	455,000	-	455,000	-	415,000	-

PROFESSIONAL SERVICES/FEES [Other (c)]	
DESCRIPTION OF COST	AMOUNT
Accounting	30,000
TOTAL	30,000

SOFT COSTS						
Market Study	9,250		9,250		9,250	
Enviromental	13,500		13,500		13,500	
Tax Credit Fees	124,000		124,000			
Appraisal	4,500		4,500		4,500	
Hard Relocation Costs						
Accounting/Cost Certification	30,000		30,000			
Other (f)	-					
SUBTOTAL	181,250	-	181,250	-	27,250	-

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 (Tab 3b)

- Construction and Permanent
- Deferred Fee
- Sources = Uses

Schedule B – Unit Type & Rent Summary (Tab 4a)

- Distribution of units proportionately
- Set-aside rents cannot exceed tax credit limits
- Indicate unit net square feet
- If applicable, include HAP rent on Schedule B

Schedule A-1 Interest Rate

Which interest rate should be inserted into Schedule A-1?

- MFA “Conservative Interest Rate”
- 4.25% amount in LOI + 50 bps = 4.75%
- 4.25% amount in LOI

Schedule A-1: Sources of Funds

Project Name: 0 | Perm Loan Rate is: LOI | Date: 1/0/1900

Financing Sources	Loan or Grant?	Source/ Program	Construction Amount	Permanent Amount	Interest Rate	Payment Amount	Payment Frequency	Term Amort. Yrs.	Term Loan Yrs.
Permanent Loan	Loan	RMCRC Nicholas Berger	0	2,500,000	4.25%	139,727	ANNUAL	40	16

Schedule B Rent Schedule

- Property has the following unit mix and all units are at 60% AMI:
- 19 x 1BR – Floor Plans are 650 and 700 SF
- 20 x 2 BR – Floor Plans are 875 and 900 SF
- 21 x 3 BR – Floor Plans are 1,200 and 1,300 SF

		Restricted Units at		60%	of Me
Number BR/Unit Type[3]		1-BR	2-BR	3-BR	
Net Sq, Ft./Unit		650	875	1,200	
Number of Units		19	20	21	
Gross Monthly Rent/Unit[1]		849	1,020	1,178	
Minus: Utility Allowance		75	93	114	
Net Monthly Rent/Unit		774	927	1,064	
Annual Rental Income (All Units)		176,472	222,480	268,128	

		Restricted Units at		60%	of Me
Number BR/Unit Type[3]		1-BR	2-BR	3-BR	
Net Sq, Ft./Unit		700	900	1,300	
Number of Units		9	10	10	
Gross Monthly Rent/Unit[1]		849	1,020	1,178	
Minus: Utility Allowance		75	93	114	
Net Monthly Rent/Unit		774	927	1,064	
Annual Rental Income (All Units)		83,592	111,240	127,680	

Schedule B Rent Schedule

- Project Narrative States:
  - The Project will include 59 newly constructed LIHTC units. One additional unit will be a non-revenue management unit.

All Units	**Total All Units** (From All Sources Above)						
Number BR/Unit Type	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	Totals
Net Sq, Ft./Unit		12,350	18,000	25,200			55,550
Number of Units		19	20	21			60
Gross Monthly Rent/Unit[(1)]							
Minus: Utility Allowance							
Net Monthly Rent/Unit							
Annual Rental Income (All Units)		139,152	175,560	211,500			526,212
Units Receiving Rental Assistance (from all sources above)		0	0	0			

Include all units on Schedule B. Employee/Exempt Units are approved by Asset Management after PIS.

Schedules

Schedule C – Operating Expense Budget (Tab 5a)

- 7% vacancy
- Maximum 6% management fee (calculated on gross income)
- Replacement Reserves – we will underwrite to at least MFA minimums
- No HAP Contract "Overhang" – include full rent on Schedule B
- Annual Compliance Fee is $50 per Low Income Unit

Schedules

2022 MFA UNIVERSAL RENTAL DEVELOPMENT APPLICATION
Schedule C: Operating Expense Budget

Project Name: 0 Date: 1/28/2022

Total Units: 60

		Total Budget	Per Unit Cost
INCOME			
1	Annual Rental Income Per Schedule B/Section F	526,212	8,770
2	Parking Income	18,000	300
3	Laundry Incom		
4	Other Income (		
	Income Su		
5	Less Vacanc		
6	Commercial Inc		
7	Less Vacanc		
8	***TOTAL INCOM***		

2022 MFA UNIVERSAL RENTAL DEVELOPMENT APPLICATION
Schedule D: Contractor's and Applicant's Cost Breakdown

Project Name: 0 Federal HTC Requests ONLY

Construction Period: Start Date: Completion: Residential Costs ONLY

	Trade Item	Total Cost [A](1)	Commercial [B]	Residential [C]	30% HTC Basis [D]	70% HTC Basis [E]	NC/Rehab Breakout
I.	**Demolition**						
II.	**Accessory Structures**						
III.	**Site Construction**						
	Earth Work	281,966		281,966		281,966	
	Site Utilities	[illegible]		[illegible]		[illegible]	
	Roads & Walks	531,829		531,829		471,829	
	Site Improvements	264,542		264,542		264,542	
	Lawns & Planting	102,846		102,846		102,846	
	Unusual Site Conditions						
	Sub-total: Site Construction	1574206	0	1574206	0	1514206	0

Schedules

2022 MFA UNIVERSAL RENTAL DEVELOPMENT APPLICATION

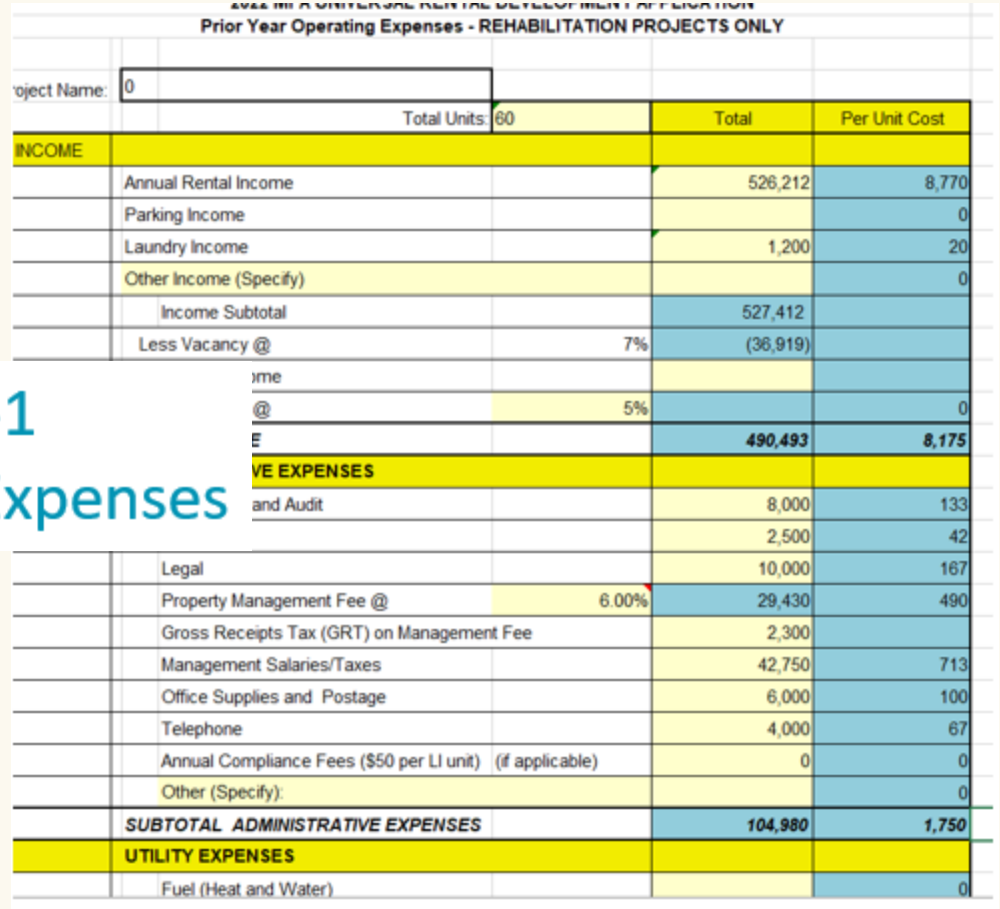
Schedule C: Operating Expense Budget

Project Name:	0		Date:	1/28/2022
		Total Units: 60	Total Budget	Per Unit Cost
INCOME				
1	Annual Rental Income Per Schedule B/Section F		526,212	8,770
2	Parking Income		18,000	300
3	Laundry Income		14,400	240
4	Other Income (Specify) Late fees		0	100
	Income Subtotal		564,612	9,410
5	Less Vacancy @	7%	(39,523)	-659
6	Commercial Income			0
7	Less Vacancy @	5%		0
8	***TOTAL INCOME***		***525,089***	***8,751***

Explain Other Income

Schedules

Don’t forget Schedule C-1
Previous Year’s Operating Expenses



Prior Year Operating Expenses - REHABILITATION PROJECTS ONLY

oject Name:	0			
	Total Units:	60	Total	Per Unit Cost
INCOME				
	Annual Rental Income		526,212	8,770
	Parking Income			0
	Laundry Income		1,200	20
	Other Income (Specify)			0
	Income Subtotal		527,412	
	Less Vacancy @	7%	(36,919)	
	ome			
	@	5%		0
	E		***490,493***	***8,175***
	VE EXPENSES			
	and Audit		8,000	133
			2,500	42
	Legal		10,000	167
	Property Management Fee @	6.00%	29,430	490
	Gross Receipts Tax (GRT) on Management Fee		2,300	
	Management Salaries/Taxes		42,750	713
	Office Supplies and Postage		6,000	100
	Telephone		4,000	67
	Annual Compliance Fees ($50 per LI unit)	(if applicable)	0	0
	Other (Specify):			0
	SUBTOTAL ADMINISTRATIVE EXPENSES		***104,980***	***1,750***
	UTILITY EXPENSES			
	Fuel (Heat and Water)			0

Schedules

Cash Flow Projection (Tab 5b)

- Income, expense, and reserve escalators at minimum stated in underwriting supplement
- Debt Service Coverage Ratio is underwritten assuming 50 bps stress on interest rate in LOI

Schedule D – Contractor Cost Breakdown (Tab 6a)

- Tie to Schedule A

Schedule D

Information to go into Schedule A has been added at the bottom of Schedule D.

VI.	**Other Costs (List)**		
		Hard Costs Only - (i.e., divisions not included above)	
		Not Additional Information to Enter Into Schedule A - see below	
		Sub-total: Other Costs	0
VII.	**TOTAL SCHEDULE D HARD CONSTRUCTION COSTS**		0
	(1) Sum of Columns B and C.		
	ADDITIONAL INFORMATION TO ENTER INTO SCHEDULE A:		
		Contractor Overhead	
		Contractor Profit	
		General Requirements	
		Gross Receipts Tax (GRT)	
		Contractor's Insurance	
		Contractor's Performance Bond	

Schedule D

The cost of the following amenities is included above and broken out below to Schedule of Values:

PROVIDE THE COST OF THE FOLLOWING AMENITIES:

Not required if the application requests no MFA loans ***and*** *if all amenities will be included in eligible basis.*

	Furniture, Fixtures and Equipment provided by contractor	
	Accessory Structures	
	Community Service Facility (may not be included in Eligible Basis)	
	Community Building without Residential Units	
	Swimming Pool	
	Carports - *if applicant intends to charge tenants for covered parking*	
	Garages - *if applicant intends to charge tenants for garage parking*	
	Uncovered Parking - *if applicant intends to charge tenants for parking*	

Schedules

Schedule G - Affordable Unit Set Aside Election (Tab 8)

- Irrevocable

Schedule H – Applicant's Previous Participation (Tab 9a)

- One Schedule H for each General Partner and Developer

Schedule H

- Include each source of financing
- Only most recent compliance monitoring required
- If no 8823s, you can overwrite the text in the box with “NO”

Project Name	Property Address	Type(s) of Financing	Most Recent Compliance Monitoring	Date Most Recent Compliance Monitoring Was Completed and Closed	During this monitoring, did you receive any 8823s? (if so, please attach brief explanation and resolution for most recent 8823 received)*
ABC Apartments	123 Main St, Anytown, NM	LIHTC	Date: 08/12/21	Date Completed: 08/12/21	NO If "Yes" attach explanation and resolution*
		MFA HOME	Agency: HUD	Date Closed: 10/15/21	
		HAP Contract	Rating: 76		

Questions

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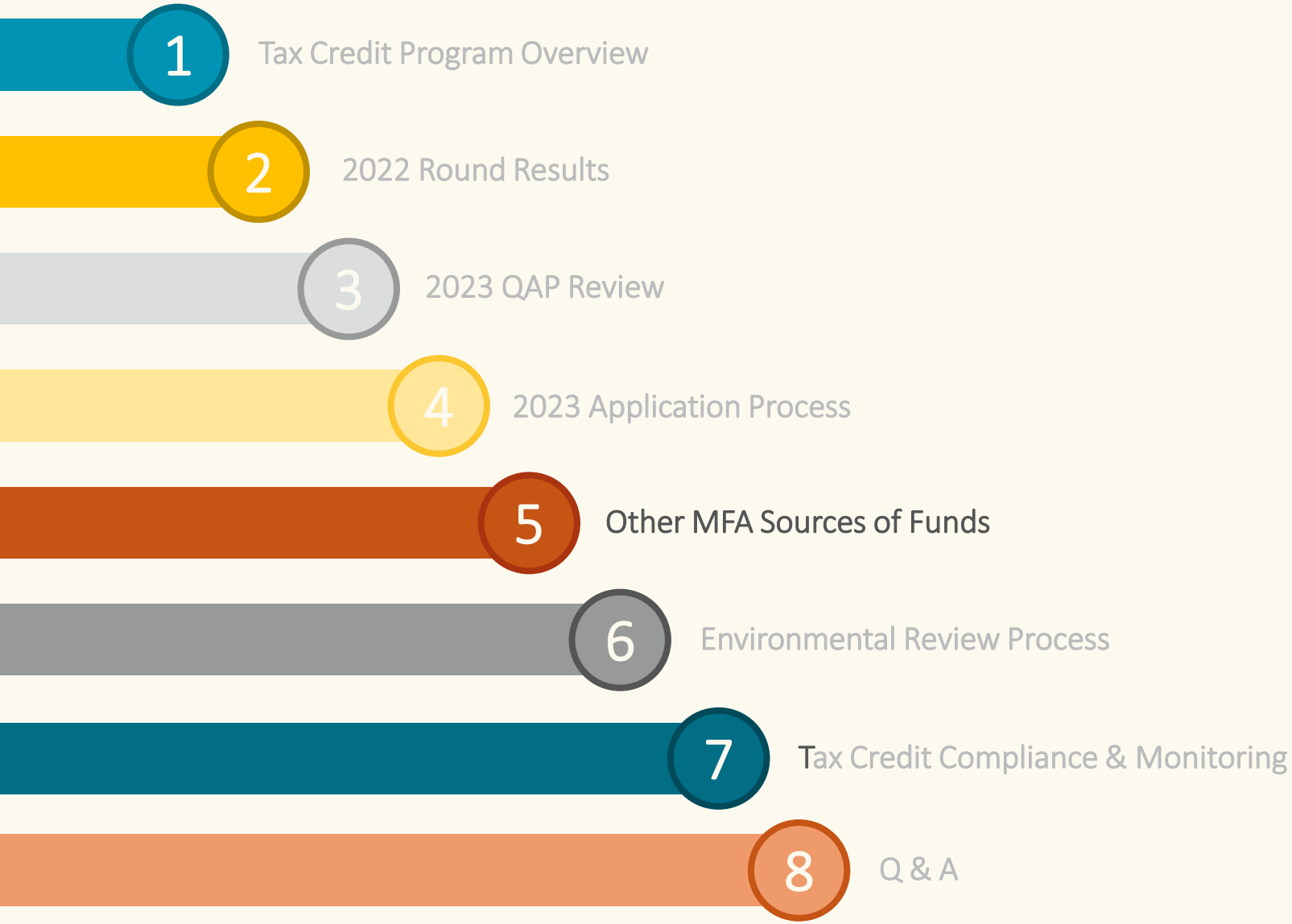

Other MFA Sources of Funds

HOME Program

- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- Generally 0%-3% rate
- 2-year construction and up to 40-year permanent period
- With 9% LIHTC – Limited by a maximum of $1,000,000 per project for CHDOs/$400,000 for non-CHDOs
- Without 9% LIHTC – Limited by a maximum of $1,000,000 per project for CHDOs/$800,000 for non-CHDOs

Other MFA Sources of Funds

National Housing Trust Fund

- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- 0% rate
- Minimum 30-year term period
- With 9% LIHTC – Limited by the maximum per-unit subsidy limits and a maximum of $400,000 per project
- Without 9% LIHTC – Limited by the maximum per-unit subsidy limits and a maximum of $1,500,000 per project

Other MFA Sources of Funds

Ventana Fund

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

Other MFA Sources of Funds

Primero

- Primero is funded through MFA's Housing Opportunity Fund
  - Maximum Loan: $1,000,000 or funds available at the time of application
- Funding high-risk projects and priority is giving to MFA's Primero Initiatives:
  - Tribal Housing, Colonias Housing, Housing Rehabilitation, and Manufactured Housing Assistance
- Eligible activities for multifamily and single-family development projects:
  - Pre-development, acquisition, construction, conversion, or rehabilitation
- Loan Terms: Up to 5 years for pre-development
- Interest Rate: Typically 3.0% per annum, 1% loan fee due at closing

Other MFA Sources of Funds

New Mexico Housing Trust Fund

- New Construction, Rehabilitation, Acquisition & Rehab, Infrastructure
- New interest rate policy:
  - 9% LIHTC – Base interest rate of 3%*
  - 4% LIHTC – Base interest rate of 2%*
  - No LIHTC – 1% interest rate

  * 1% discount for rural, senior, tribal, permanent supportive. 1% increase if request exceeds funding limits.
- New funding limits:
  - Construction - $2,000,000
  - Permanent - $1,000,000
- 2-year construction period and up to a 30-year term

Other MFA Sources of Funds

Risk Share 542(c)

- New Construction, Rehabilitation, Acquisition & Rehab
- Up to $2,000,000 (LTV restrictions apply)
- Interest Rate: 10 Year Treasury rate + current HUD-approved total MIP* + 25 bps MFA servicing fee + 2.00%
- 2-year construction and up to 40-year permanent term period for new construction or 35-year permanent term period for rehab

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

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)

Other MFA Sources of Funds

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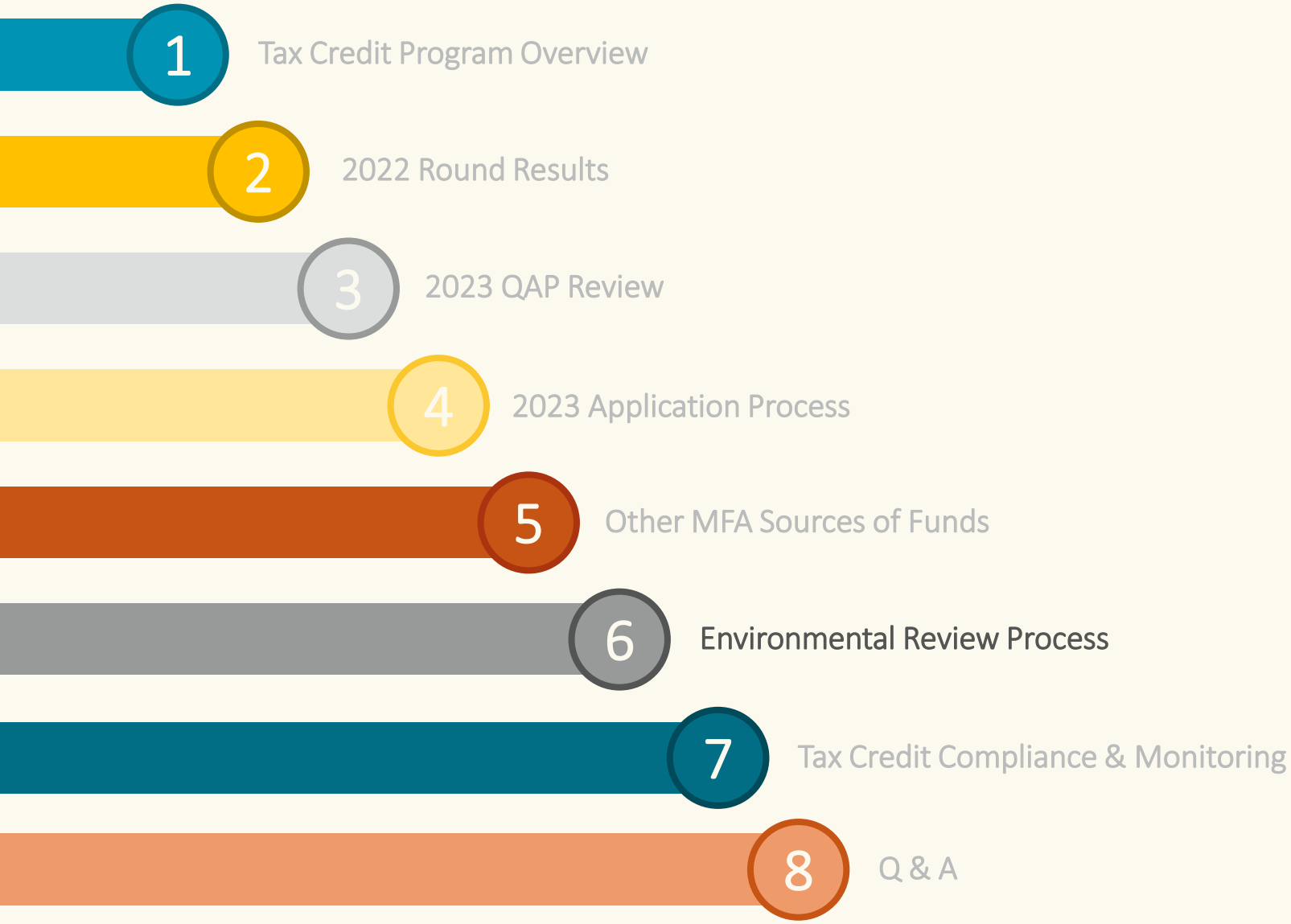

Environmental Review

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The environmental review process is required for **all HUD-assisted projects** to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Not every project is subject to a full environmental review but **every project must be in compliance with** the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws.

- HOME, NHTF, Risk Share, and any other federal fund source must complete environmental review before site control or execution of loan documents to avoid a choice limiting action.
- Projects with NHTF funding only must complete Environmental Provisions process before construction completion.
- Keep in mind the timing of the environmental review process. You can complete review before submission of loan application. On average a review can take up to 4 months to complete.
  - You will receive environmental review packets after Loan Award Letter is sent out.
- Training can be provided upon request by MFA. HUD Exchange website has training modules.

Environmental Review

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Poll 7

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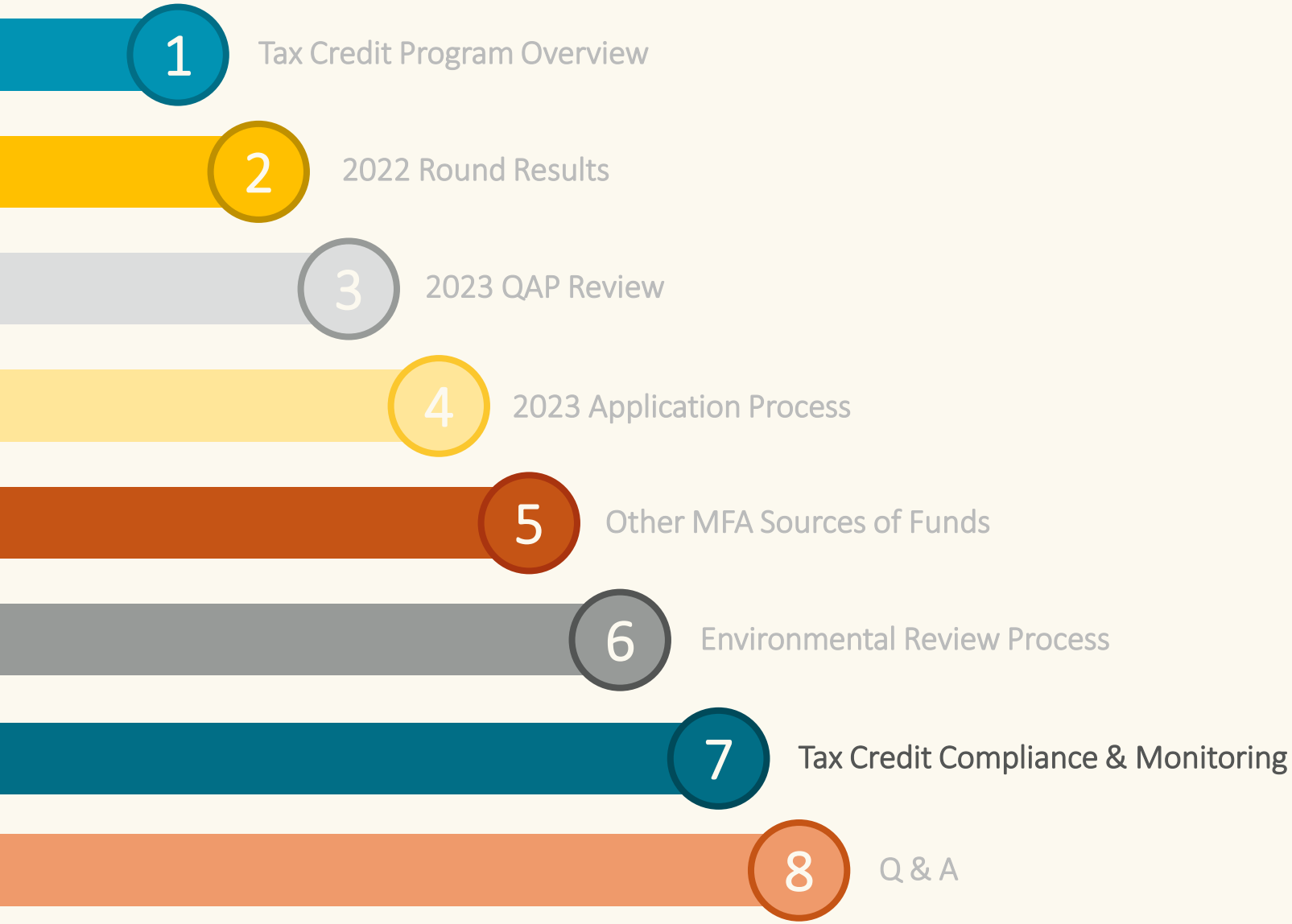
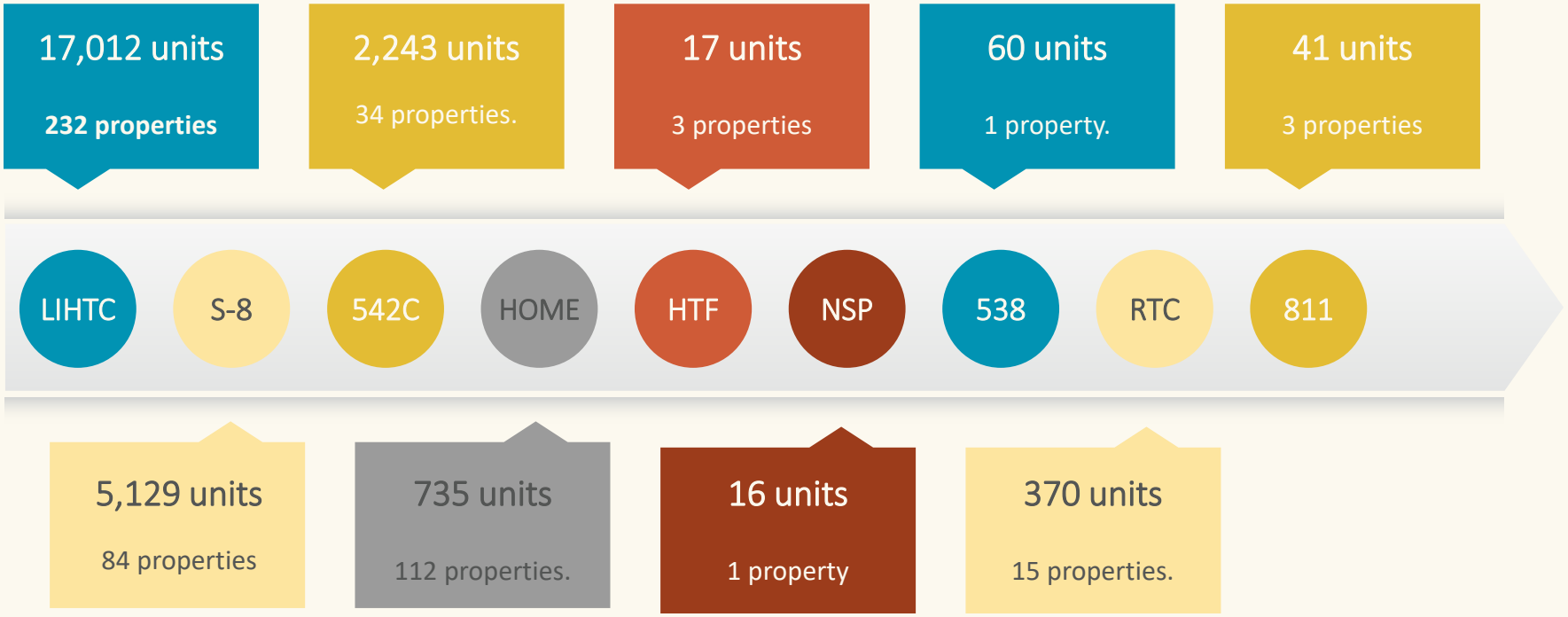


MFA's asset management department is responsible for compliance audits and physical site inspections for more than 300 properties totaling over 19,000 units throughout New Mexico.

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

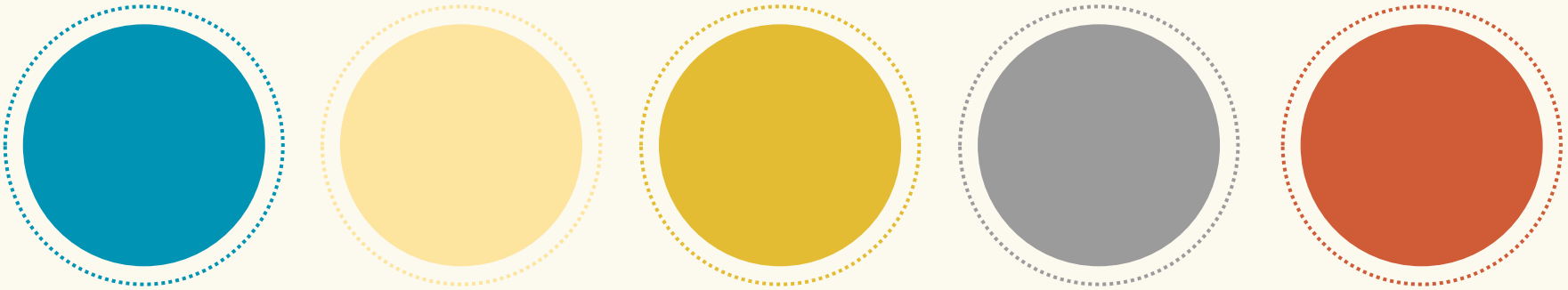
Monitoring Schedule

LIHTC/TCAP	HOME/HTF	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/HTF 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 Next Gen: 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.

Questions

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LIHTC Fundamentals can be viewed at:

https://housingnm.org/developers/developer-resources/development-101

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Questions

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More Questions?

housingnm.org/developers

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