

STATE OF NEW MEXICO

Supplement A
National Housing Trust Fund
Rehabilitation Standards

Effective as of December 1, 2020



Appendix E to 2026 QAPs

NEW MEXICO MORTGAGE FINANCE AUTHORITY

I. PURPOSE OF STANDARDS

- A. This supplement, originally combined with the “2020 MFA Mandatory Design Standards for Multifamily Housing,” and now combined with the 2026 Mandatory Design Standards for Multifamily Housing shall comprise the National Housing Trust Fund Rehabilitation Standards (known herein as the “NHTF Standards”).
- B. The NHTF Standards are designed to outline the requirements for building rehabilitation for all Housing New Mexico | New Mexico Mortgage Finance Authority (MFA) (“Housing New Mexico”) National Housing Trust Fund (“NHTF”) funded multifamily housing projects. All renovation activities performed on an NHTF-funded project must conform to these rehabilitation standards.
- C. The goal of the Housing New Mexico NHTF program is to provide functional, safe, affordable, and durable housing that meets the needs of the tenants and communities in which the housing is located throughout its affordability period.
- D. Through use of the NHTF Standards, all health and safety deficiencies must be addressed and corrected.

II. QUALITY OF WORK

- A. Quality of Work: Grantees and developers will ensure that all rehabilitation work is completed in a thorough and workmanlike manner in accordance with industry practice and contractually agreed upon plans and specifications, as well as subsequent mutually agreed upon change orders during the construction process. Grantees and developers will employ best practice industry standards relating to quality assurance to verify all work completed.
- B. Project Design Professionals
 - 1. Projects will be designed by licensed professionals per 14.5.2 New Mexico Administrative Codes (NMAC) – Permits.
 - 2. The project developer will formally contract with licensed architectural and engineering design professionals to provide appropriate professional services for each project. It is the responsibility of each licensed professional to assure that the scope of work is done in accordance with the generally accepted practices in their discipline, as well as designing the project to be in full conformance with all the applicable federal, state and local codes. (See Section III below.)
 - 3. In addition, the architect or engineer will provide contract specifications which stipulate quality standards, materials choices, installation methods and standards. Such specifications may reference other appropriate standards set by different trades associations and testing agencies such as ASTM, Underwriters Laboratory (U/L), Tile Council of America, Gypsum National Roofing Contractors Association (NRCA), Architectural Woodwork Institute (AWI), Sheet Metal and Air Conditioning Contractors’ National Association (SMACNA), and AFME.
- C. By meeting the various code requirements as a minimum standard, together with the other standards herein or in attendant Housing New Mexico policies, each building rehabilitation project is assured to be brought up to an acceptable level of rehabilitation.
- D. Warranties will be required per the standard construction contracts on all materials, equipment and workmanship.

III. SCOPE OF WORK DETERMINATION

- A. In developing scopes of work, grantees and developers will work with Housing New Mexico staff to ensure that all requirements under the NHTF Standards are satisfied and that the proposed scope of work meets the goals of Part I above. Housing New Mexico approval of all scopes of work is required.

IV. EXPECTED USEFUL LIFE / REHABILITATION SCOPE & CAPITAL PLANNING

- A. In developing scopes of work on housing rehabilitation projects, Housing New Mexico NHTF grantees and developers will consider the remaining expected useful life of all building components with regard to building long-term sustainability and performance. Specifically, each building component with a remaining expected useful life of less than the applicable NHTF period of affordability (30 years) will be considered for replacement, repair or otherwise updated. Additionally, new building components with an expected useful life of less than 30 years will be considered for future replacement.
- B. Project CNAs will be required. The industry standard period for CNAs is 20 years; however, project CNAs must be updated every five years during the life of the project to ensure projected capital needs through the 30-year NHTF affordability period are anticipated and planned for. The initial CNA will cover years 1-20. The first five-year update will be done in year 5 and cover years 6-25. The second 5-year update will be done in year 10 and will cover years 11-30.
- C. Once a scope of work has been developed by the grantee and their development team, the grantee must also develop a Capital Plan. Whether or not a particular building component has been replaced, repaired or otherwise updated as part of the rehabilitation scope of work, all building components and major systems must demonstrate adequate funding to be viable for at least 20 years, the length of the capital plan, with subsequent updates every five years during the 30-year affordability period.
 - Example #1: Kitchen cabinets with a remaining useful life of eight years may be permitted to be left in place and not included in the rehabilitation scope. However, adequate funding must be demonstrated in the building capital plan to replace those cabinets in year 8 of the post-rehabilitation capital plan.
 - Example #2: If a building component such as a new roof is installed during the rehabilitation and this roof has an expected useful life of 25 years, it will not show up on the initial CNA as needing replacement during that 20-year period. However, since Housing New Mexico requires updates of CNA's for NHTF projects to be performed every 5 years, it will show up on the next 20-year CNA which will be performed in year 5 of the project and cover years 6 to 25. During these 5- year CNA updates, the project reserve contributions will be reviewed to ensure all future capital expenditures articulated in the CNA are adequately funded through the 30-year affordability period.
- D. Annual replacement reserves contributions of at least \$250 per unit per year ("PUPY") for senior projects and \$300 PUPY for general occupancy projects are required through the 30-year affordability period. If the initial 20-year CNA and capital plan (and/or any subsequent five year updates) indicate that replacement costs for the period exceed the amount generated by the respective PUPY contributions, a higher PUPY contribution will be required.
- E. Grantees and their development teams should ensure that all site and building systems and components are analyzed to ensure that they will remain viable and serviceable throughout the affordability period. The analysis of some systems (the structural system for example), may require professional investigation, review and documentation.

VII. DISASTER MITIGATION

- A. To the extent applicable/relevant, the housing must be improved to mitigate the potential impact of potential disasters (e.g. earthquakes, floods, wildfires) in accordance with state or local codes, ordinances and requirements or such other requirements that HUD may establish.
- B. Specifically regarding flood hazards:
 - 1. Projects must meet FEMA federal regulation, and HUD's floodplain management requirements at 24 CFR 55, including the 8-Step Floodplain Management Process (when applicable) at 24 CFR 55.20.
 - 2. Projects must meet fluvial erosion prevention requirements per local municipality regulations.
- C. Specifically regarding earthquakes:
 - 1. Projects located in earthquake prone regions must be assessed by a registered structural engineer for compliance with Section 707 of the International Existing Building Code currently adopted by the State of New Mexico, or if more stringent, by the local jurisdiction or the federal government.
 - 2. Projects located in earthquake-prone regions must further complete soils testing and grading of the soils by a registered soils engineer in accordance with the International Building Code Requirements currently adopted by the State of New Mexico, or if more stringent, by the local jurisdiction or the federal government. Such soils classifications will be used to determine if voluntary improvements of the seismic force-resisting system (Section 707.6 2009 IEBC) will be voluntary or compulsory.
- D. Specifically regarding wildfires:
 - 1. Projects located in wildfire-prone areas or which are located next to large expanses of forest, brush, open fields, or within predominantly natural landscapes will make efforts to reduce exposure to wildfires.
 - 2. Projects located in wildfire-prone areas will utilize best practices to protect the project including readily available information provided through the U.S. Forest Service and NFPA Firewise Community Program. Such efforts toward preparation will include basics of defensible space and sound landscaping techniques. Additional information can be found at www.firewise.org/wildfire-preparedness.aspx