

Qualified Allocation Plan (QAP)

State of New Mexico

4% Low-Income Housing Tax Credit Program

Effective as of December 1, 2026

Approved by Board of Directors on October 21, 2026
Approved by the Honorable Governor Michelle Lujan Grisham on November 4, 2026

Housing New Mexico | New Mexico Mortgage Finance Authority (MFA)

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EQUAL HOUSING OPPORTUNITY

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I. Introduction

This "Allocation Plan" constitutes the "Qualified Allocation Plan" (QAP[1]) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986[2], as amended, including all applicable rules and regulations promulgated thereunder (collectively, the "Code"). This Allocation Plan applies to all allocations of 4% Low-Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 2027.

The Code allows tax-exempt bond-financed Projects to receive an allocation of 4% tax credits provided they meet the requirements for an allocation in the QAP. New Mexico Mortgage Finance Authority (Housing New Mexico | MFA) ("Housing New Mexico") will determine whether a Project satisfies the requirements of the 4% LIHTC QAP and its appendices. The tax credits allocated to tax-exempt bond-financed Projects are not subject to the Annual Credit Ceiling and, consequently, are not required to compete in the competitive allocation process described in the 9% LIHTC QAP. However, Projects will be required to meet certain thresholds and deadlines that are described in this 4% LHTC QAP along with Housing New Mexico's 4% Post-Award Processes and Requirements Handbook ("Post-Award Handbook"), 2027 Mandatory Design Standards for Multifamily Housing ("Design Standards"), and Universal Multifamily Underwriting Supplement ("Underwriting Supplement"), all of which are hereby incorporated by reference into this QAP.

A. Role of Housing New Mexico

Housing New Mexico is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the Tax Credit Program and allocating tax credits to eligible New Mexico Projects. Accordingly, Housing New Mexico awards tax credits to Projects meeting its Project selection criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. Housing New Mexico monitors existing Projects for compliance with the Code; however, Housing New Mexico does not make any representation to any party concerning compliance with the Code, U.S. Department of Treasury ("Treasury") regulations[3] or other laws or regulations governing LIHTC. Neither Housing New Mexico, nor its agents or employees, will be liable for any matters arising out of or in

[1] Capitalized terms, when not defined in the text of this document, are defined in the Glossary at Section IX or in Section 42 of the Internal Revenue Code.
[2] Section 42 of the Code is found in the United States Code in Title 26, Subtitle A, Chapter 1, Subchapter A, Part 4, Subpart D, at Section 42 (26 U.S.C. §42.)
[3] Treas. Reg. 26 CFR § 1.42.

relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their Projects and the effect of tax credits on their federal income taxes.

Administration of the Tax Credit Program, as outlined in this QAP, is consistent with the statutes creating Housing New Mexico in 1975 [Chapter 303, Laws of New Mexico, 1975, known and cited as the New Mexico Mortgage Finance Authority Act, being Sections 58-18-1 through 58-18-27, inclusive), as supplemented in 1995, as follows:

> The legislature hereby finds and declares that there exists in the state of New Mexico a serious shortage of decent, safe and sanitary residential housing available at prices and rentals within the financial means of persons and families of low income. This shortage is severe in certain Urban Areas of the state, is especially critical in the rural areas and is inimical to the health, safety, welfare and prosperity of all residents of the state. The legislature hereby further finds and determines that to aid in remedying these conditions and to help alleviate the shortage of adequate housing, a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, to be known as the New Mexico Mortgage Finance Authority should be created with power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low income within the state. The legislature hereby finds and declares further that in accomplishing this purpose, the New Mexico Mortgage Finance Authority is acting in all respects for the benefit of the people of the state in the performance of essential public functions and is serving a valid public purpose in improving and otherwise promoting their health, welfare and prosperity and that the enactment of the provisions hereinafter set forth is for a valid public purpose and is hereby so declared to be such as a matter of express legislative determination.

The federal laws governing the Tax Credit Program are subject to change. Final interpretations of certain rules and regulations governing the Program may not yet have been issued by the U.S. Department of Treasury. In the event that any portion of this QAP should conflict with the Code, amendments made thereto, or federal regulations promulgated thereunder, the federal regulation shall take precedence. If any portion of this QAP is invalid due to such conflict, the validity of the remaining portions will in no way be impacted, affected or prejudiced.

Housing New Mexico reserves the right to resolve all conflicts, inconsistencies or ambiguities, if any, in this Allocation Plan or which may arise in administering, operating or managing the allocation of LIHTC.

In accordance with Housing New Mexico's inherent discretion, reasonable judgement and prudent business practices, Housing New Mexico may reject any Application (as defined in the Glossary) or Project that Housing New Mexico has determined does not satisfy the requirements and objectives of the Code, regulations promulgated under the Code or this QAP, regardless of the Application's rank priority.

Housing New Mexico shall not be responsible for any expenses incurred by any Applicant in submitting an Application or otherwise responding to or providing any information in conjunction with this QAP. All costs incurred by Applicants in the preparation, transmittal or presentation of any Application or material submitted in response to this QAP shall be borne solely by the Applicants.

Housing New Mexico may modify this QAP, including its compliance and monitoring provisions, and waive plan provisions, as required by the promulgation or amendment of the Code, from time to time or for other reasons as determined by Housing New Mexico, including, but not limited to, the ability to respond to government declared disasters and emergencies. Housing New Mexico will make available to the general public a written explanation of any allocation of housing tax credits that is not made in accordance with established priorities and selection criteria of the Agency.

In addition, Housing New Mexico may cancel or modify the provisions of this QAP at any time and may reject any or all Applications submitted under this QAP and re-issue the QAP. If Housing New Mexico rejects any or all Applications submitted under this QAP and re-issues the QAP, all costs incurred by Applicants in the preparation, transmittal or presentation of any Application or materials submitted in response to this QAP shall again be borne solely by Applicants.

Regardless of any provision of this QAP or any document referenced by or incorporated into this QAP, it is each Applicant's sole responsibility to demonstrate in its Application that the Project proposed shall comply with the Code and all associated regulations in all respects. Failure by any Applicant to demonstrate that the proposed Project shall comply with the Code and all associated regulations shall result in the rejection of the Application and Project.

B. Federal QAP Requirements

This document is intended to fulfill requirements at Code Section 42(m)(1)(B)(i) and (ii), and Code Section 42(m)(1)(C) for Housing New Mexico's 4% tax credit allocation

activity in the state, commencing on its effective date. The procedure required at Code Section 42(m)(1)(B)(iii) is summarized in Section VIII but published in full under a separate cover and incorporated herein by reference as Appendices J and K. It is titled Low-Income Housing Tax Credit Compliance Plan and Appendices, and is available on our website: https://housingnm.org/property-owners-agents-and-managers/lihtc. The procedures for Code Section 42(m)(1)(D) are found in New Mexico's QAP governing the 4% LIHTC.

C. Public Hearing Required by Code Section 42(m)(1)(A)(i)

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 14, 2026 and continuing through September 4, 2026), during which time a public hearing was held on August 27, 2026. Housing New Mexico accepted written comments during this 21-day comment period, as extended, and considered comments presented at the public hearing, prior to completion of the plan.

D. Eligible Projects

Proposed Projects must be eligible for an allocation of credits under the Code. Housing New Mexico's Tax Credit Program is limited to residential rental housing located in the state of New Mexico. Eligible Projects include rehabilitation of existing residential housing Units, Adaptive Reuse of commercial property as residential rental Units, or new construction. Dormitories, assisted living facilities, "trailer parks" and transient housing (e.g. emergency shelters for homeless Persons and households) are ineligible.

Project design must adhere to the *Housing New Mexico 2027 Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) for rehabilitation, Adaptive Reuse and newly constructed Units as they pertain to each Unit type.

1. Scattered Site Projects

Under Code Section 42(g)(3)(D), each low-income building is considered a separate project unless the taxpayer identifies each building which is, or will be, part of the Project. Under Code Section 42(g)(7) and Treasury Regulation Section 1.103-8(b)(4)(ii), two or more qualified low-income buildings can be included in a Project only if the buildings:

- Are located on the same tract of land, unless all the Units in all the "scattered site" buildings to be included in the Project are Low-Income Units;
- Are owned by the same Person (Entity) for federal tax purposes;

- Are financed under a common plan for financing; and
- Have similarly constructed Units.

Generally, each site of a scattered-site Project must have a community space adequate for the provision of services and services must be delivered at each site for the Project to be eligible for Projects in which Units are reserved for Households with Special Housing Needs, Projects Reserved for Seniors Housing Priority or Projects in which 25% of all Units are reserved for Households with Children.

However, if one of the project sites proposed for rehabilitation does not have adequate community space for the provision of services, services may be provided for residents at another project site so long as the following conditions are met:

- Project sites sharing community space are located within a quarter of a mile of each other and connected by an ADA compliant route, and
- the Application demonstrates, to the sole satisfaction of Housing New Mexico, how the needs of Persons with disabilities who do not have access to on-site services will be met and
- sufficient community space for the provision of services is available for all residents of the Project.

2. Combined Rehabilitation with New Construction Projects

Projects may combine the rehabilitation of existing residential Units with the construction of new residential Units. Such Projects shall be classified as new construction if the number of Units to be newly constructed (or Adaptively Reused) is equal to at least 50% of total Units in the Project. If less than exactly 50% of the total Units are new construction (or Adaptive Reuse) Units, the Project shall be classified as a Rehabilitation Project. The cost limits will be applied based on the category chosen, if the Project is evenly split between newly constructed/Adaptively Reused Units and rehabilitation Units. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in the Underwriting Supplement.

3. Hybrid 9%/4% Developments

Applicants wishing to combine 9% LIHTC with 4% LIHTC (where the 4% credits are not solely for acquisition of a building) pursuant to an allocation of private activity bond volume cap may do so under the following conditions.

1. The 9% LIHTC and 4% LIHTC portions of the development will be two separate projects, each of which has fully self-supporting financing and operations; the two portions of the development will not be cross-collateralized.
2. Complete separate Applications for the 9% and 4% LIHTC will be required.
3. **Adjacent Parcels:** Applicants proposing to build on adjacent parcels (or by splitting a parcel of land) may submit the 4% LIHTC Application concurrent with the 9% LIHTC Application or at any time 4% LIHTC Applications are being accepted.
4. **Within a Building**: Projects that propose allocating 9% and 4% tax credits within a building through a condominium plat must submit both the 9% and 4% LIHTC Applications concurrently by the 9% Application Deadline. Any reservation of tax credits for the 9% portion, if approved, will be contingent upon an allocation of private activity volume cap by the State Board of Finance. If the State Board of Finance does not issue an allocation of private activity bond volume cap on or before December 2027, Housing New Mexico would issue binding commitment for 9% LIHTC in a future year that is contingent upon an allocation of private activity bond volume cap.

E. Compliance Period and Extended use Period (30 Year Minimum)

All Projects are subject to an "extended low-income housing commitment" for at least 30 years, as required by Code Section 42(h)(6). Housing New Mexico complies with this requirement with a Land Use Restriction Agreement (LURA) filed when the Project is Placed In Service. Housing New Mexico's required LURA provisions may be found in the sample LURA that is available at www.housingnm.org.

F. Waiver of Qualified Contract

By submitting an Application for an allocation of tax credits to a Project in accordance with this QAP, the Applicant and Project Owner agree to waive their right to request that Housing New Mexico present a "Qualified Contract" for the Project in accordance with Code Section 42(h)(6). The Applicant and Project Owner further agree that the Extended Use Period shall not be terminated for any reason other than foreclosure (or instrument in lieu of foreclosure), in which case existing Low-Income Tenants will not be evicted or charged rents in excess of tax credit rents for a period of three years following the foreclosure or transfer by instrument in lieu of foreclosure in accordance with the Code.

II. Available Financing

A. Amount of Private Activity Bond Volume Cap Available Statewide

The state of New Mexico receives a population-based allocation of private activity bond volume cap each year, which is usually the small state minimum. At its December meeting, the New Mexico State Board of Finance allocates a portion of that annual private activity bond volume cap to finance multifamily housing for the following calendar year. In December 2025, the State Board of Finance allocated $238,575,000 for multifamily housing in 2026.

B. Limitation on Private Activity Bond Volume Cap to a Single Project or Principal

The private activity bond volume cap allocation by the State Board of Finance must not exceed the greater of:

- 30% of the Project's aggregate basis used to calculate the 25% test, or
- The amount of the Project's permanent mortgage loan in first lien position.

Costs of issuance may not exceed 5% of the bond issue for Projects with total financing sources of $2,000,000 or more and 7% for Projects with total financing sources of less than $2,000,000.

No Applicant, any General Partner or Affiliate of an Applicant or Person or Entity receiving or identified as eligible to receive any part of a Developer fee for a Project may have more than one 4% LIHTC Project in the Application phase (for the period beginning with the submission of a 4% LIHTC Initial Application and ending when the Project starts construction) and three Projects in the construction phase (for the period beginning when the Project starts construction until all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehab) have been issued.)

C. Basis Boost

Projects located within a HUD-designated Difficult Development Area (DDA, SDDA) or Qualified Census Tract (QCT) may request a 30% increase in eligible basis under Code Section 42(d)(5)(B), by including documentation of status in a QCT or DDA in the Initial Application.

If the federal government expands the basis boost, Housing New Mexico will allow a basis boost up to the federal limit for Projects meeting the federal eligibility requirements.

III. Application Process

A. Application and Award Schedule

Item	Deadline/Date
Intent to Submit a Tax Credit Application & Development Synopsis	30 Days Prior to Application Submission
Initial Application	Rolling Basis – subject to readiness criteria
Housing New Mexico LIHTC Application Processing	Approximately 30 – 60 days from receipt of Complete Application depending on complexity and application pipeline
Deficiency Corrections (if requested by Housing New Mexico)	Five business days to respond
Draft 42(m) Letter	Upon determination that the Project meets all standards in the QAP and appendices
Draft 42(m) Letter Expires	3 months from issuance
State Board of Finance Presentation	Within 3 months of Draft 42(m) Letter
LIHTC Processing Fees Due	Upon SBOF allocation of volume cap approval
Final 42(m) Letter Issued	Upon payment of LIHTC Processing Fees
Financial Closing and Construction Start	The earlier of: seven months from SBOF allocation of volume cap approval (subject to penalties if deadline not met) and date the volume cap expires in accordance with NMAC #: 2.61.4
Certificate(s) of Occupancy / Certificate of Completion	Within 30 days of Placement In Service
Final Allocation Application	One year from the date the last building is Placed In Service.

B. Application Acceptance

Applications for Private Activity Bond Volume Cap must include a 42(m) Letter from Housing New Mexico (which may be a draft). Therefore, Applicants must submit a Complete Initial Application to Housing New Mexico before the State Board of Finance will accept an application for volume cap.

1. Deadline

Applications are accepted on a rolling basis 30 days after Housing New Mexico receives the Intent to Submit and Project Synopsis described in Section IV.G. (Pre-Application Requirements). Housing New Mexico will not review Initial Applications that, in its sole discretion, do not demonstrate:

- that the Project will present its request for private activity bond volume cap at a State Board of Finance meeting within 3 months after Housing New Mexico has completed its review of the Initial Application, and
- that will close on all construction period financing and begin construction on the date that is the earlier of:
    - seven months after date the State Board of Finance approves the bond allocation at its regularly scheduled meeting, or
    - the date the bonds expire pursuant to State Board of Finance Rules described in NMAC #: 2.61.4 Private Activity Bond Allocations. Applicants should not assume that the State Board of Finance will grant an extension into the following calendar year to close on the bonds.

2. Where to Submit the Application

Complete Initial Applications must be uploaded to Housing New Mexico's Secure File Transfer-HD file sharing Site: https:/.internal.housingnm.org/SFT_HD/ Initial Applications submitted by any other means of delivery will be rejected.

3. Form of Submission

The required 2027 Housing New Mexico Universal Rental Development Application will be provided electronically and may be downloaded from Housing New Mexico's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds. Applicants must submit the 2027 Housing New Mexico Universal Rental Development Application and Schedules in excel format and one fully tabbed and bookmarked PDF file that includes all materials listed on the Attachments Checklist at Tab 1a, except the following which shall be uploaded as stand-alone PDF documents:

- Market study
- Architectural plans and specifications
- Capital Needs Assessment (see Section III.E.2 regarding when this is required).
- Appraisal (see the Underwriting Supplement regarding when this is required).

All documents in the PDF must be submitted in numerical order. PDF files must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1 –

Project Information and Application Fees, Tab 1a – Attachments Checklist, etc.) following the tab numbers on the Application Checklist at Tab 1a.

4. Complete Application

Federal Register Notice: 87 FR 64515: *An application is deemed to be submitted on the date it is filed if the application is determined to be complete by the credit-allocating or bond issuing agency. A "complete application" means no more than de minimis clarification of the application is required for the agency to make a decision about the allocation of tax credits or issuance of bonds requested in the application*.

De minimis means the Initial Application meets all the standards described in this Complete Application section when initially submitted and that the Initial Application does not require any deficiency corrections.

Complete Applications will meet the following standards when they are initially submitted and without benefit of any subsequent submissions:

a. Housing New Mexico will require submission of an "omnibus" signature page wherein all General Partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.
b. Complete Initial Applications must include the 2027 Housing New Mexico Universal Rental Development Application and Schedules, including all attachments and exhibits that are applicable to the Project – both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the 2027 QAP that apply to the Project.
c. Applicants must redact protected personal information such as Social Security numbers and board member home addresses except for the name of the local jurisdiction.
d. Complete Initial Applications must include Application fees as outlined in Section III.C below.
e. Current year Housing New Mexico forms must be used when provided and no substitutions will be accepted.
f. All information must be current, clearly legible and consistent with all other information provided in the Application.
g. Forms must be completely filled out and executed where indicated. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures from all General Partners.
h. Except as Housing New Mexico may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in Section IV.E, all Applications

must be self-contained. Housing New Mexico will not rely on any previously submitted information, written or verbal, to evaluate the Application.

i. A Gantt chart or narrative, describing in detail, the scheduled dates and tasks that must be completed to close on all construction phase Project financing and begin construction.

In determining whether the Application is complete, Housing New Mexico will examine the package for both the availability of all required materials listed in Section I of the Application Attachments Checklist and for the content of those materials. Failure to provide or complete any element of the Initial Application Package, including all items listed in Section I of the Application Attachments Checklist, may result in immediate rejection of the Application without complete review.

The Application Attachments Checklist is not intended to be a comprehensive listing of all documents required to be submitted. Applicants bear the burden of determining and submitting any additional documents that directly support an Application or other information required by this QAP to be submitted.

In addition to the actions Housing New Mexico may take pursuant to Section III.F.7 "*Deficiency Correction Period*", Housing New Mexico may also choose to accept inconsistent information and if so, may select any of the inconsistent pieces of information over any other pieces of information, in its reasonable judgment. However, Housing New Mexico is under no obligation to seek further information or clarification or to accept inconsistent responses.

The Applicant will bear sole and full responsibility for submitting its Application in accordance with the requirements of the Internal Revenue Code and the QAP and will be deemed to have full knowledge of such requirements regardless of whether or not a member of Housing New Mexico's staff responds to a request for assistance from Applicant or otherwise provides Applicant assistance with respect to all or a portion of the Application.

5. Prohibited Activities

Applicants for tax-exempt bond-financed Projects or their representatives shall not communicate with or by any other means attempt to influence members of the Board of Directors, their proxies, or members of the State Board of Finance (SBOF) regarding any Application except when specifically permitted to present testimony at a tax credit or bond-related proceeding. **An Application shall be rejected, and a complete new Application with a new Application fee will be required, if the Applicant or any Person or Entity acting on behalf of Applicant violates the prohibitions of this section**. A list of SBOF members, Housing New Mexico Board

members, their proxies, Housing New Mexico leadership, and LIHTC program management staff, which is current as of the date of this QAP, is attached hereto as Appendix A. It is the Applicant's responsibility to check Housing New Mexico's website for a current list of Board members and check the State Board of Finance website for a list of SBOF members.

Any communication made or action taken in violation of this prohibited activities section of the QAP shall be immediately reported to the Tax Credit Program Manager:

Jeanne Redondo
Tax Credit Program Manager
(505)767-2210
jredondo@housingnm.org

C. Housing New Mexico Fees and Direct Costs

Except where explicitly stated below, all fees are non-refundable. Fees are due at the times and in the amounts shown below and they apply to both allocated and non-allocated tax credits. Fees may be delivered in the form of personal or business checks, money orders or cashier's checks, or wire (contact hd@housingnm.org for wiring instructions). Any check returned for insufficient funds will result in rejection of the Application, cancellation of the 42(m) Letter or other actions available to Housing New Mexico. Exceptions may be granted at Housing New Mexico's sole discretion and fees may be adjusted annually, as determined by Housing New Mexico in its sole discretion.

The following table summarizes the fees described below:

Fee	Amount	Payment Deadline
Application	$750 nonprofit/ $1,500 for profit	With Initial Application
Base Portion Design Review	$12,000	With Initial Application
Additional Design Review and/or Inspection	$1,500 each	With 20 days of invoice
Additional Market Study	Varies	Within 5 days of Deficiency Correction
LIHTC Processing Fee	8.5% of Annual LIHTC	Upon approval of volume cap
Additional Review	$1,500 each	Invoiced Deadline
Deadline Extension	$2,500 per week	Upon receipt of invoice
Monitoring and Compliance Fees	$50/LI Unit/Year	First Credit Year Upon Receipt of Invoice,

		thereafter annually on January 31
Monitoring and Compliance Fees	$1,500 Late Fee	February 1st
Monitoring – Reinspection Fee	$80 <60 miles $250 > 60 miles	30 days from Invoice Date
Monitoring Noncompliance 8823 Issuance	$150 plus $25 per form	30 days from Invoice Date
Monitoring – Noncompliance Open Monitoring Review	$200 at 6 months, Reinspection fee at 12 months	30 days from Invoice Date
Change Requests before 8609 (ownership, swaps, documents)	$500	With change request
Form 8609 Re-issuance	$250/form but not to exceed $2,500	With reissuance request
Ownership/GP/LP Change	$500	With change request
	$1,500	Upon approval of request
LURA Modification	$500	With modification request
	$250 per item	With modification request
	$1,500	Upon approval of request
Non-Compliance for Ownership/GP/LP Change	$10,000	Upon receipt of invoice

1. Application Fee (for initial and supplemental requests)

- Due at submission of tax credit Initial Application
- $750 for nonprofit or governmental Entity Applicant; $1,500 for a for-profit Applicant

2. Direct Cost Fees

a. Base Portion Design Review: $12,000 due at submission of tax credit Initial Application. It includes one of each of the following:

i. Preliminary review of Project for Design Standard compliance at Initial Application. All plans and related materials submitted as part of an Application must provide enough detail for Housing New Mexico to determine compliance with the Design Standards.

ii. Construction Drawing Review.

iii. Specification Review.

iv. Environmental Study & HERS Modeling Projections Review.

v. Contract document review (construction contract, permit, schedule).

vi. 33% Site Inspection visit.

vii. 66% Site Inspection visit.

viii. 100% Site Inspection visit, report and closeout document review. Housing New Mexico will not issue the IRS Form 8609 before Housing New Mexico's Architectural Services Representative indicates that the Project has been built as proposed and that all outstanding issues, if can, have been resolved.

Design reviews may require additional site visits and/or document reviews, which would be billed separately and above this non-refundable $12,000 base fee at a rate of $1,500 per inspection or additional review. Any amount in excess of the $12,000 base fee is due within 20 calendar days of billing by Housing New Mexico. If the Initial Application is not awarded a Reservation or approved as a tax-exempt bond financed Project, the Base Portion Design Review Direct Cost Fee will be returned to the Applicant.

b. Housing New Mexico-ordered Market Study: Amount varies depending on cost

If a subsequent Housing New Mexico-ordered Market Study is required, the cost will be covered by the Applicant through a non-refundable Direct Cost Fee that will be due within five days of receiving a deficiency correction (see Section III.F.7) with an invoice via email.

3. LIHTC Processing Fee

- Due once the State Board of Finance approves the allocation of volume cap for the Project. Applicants may request to enter into an agreement to pay the processing fee at the construction financing closing, if payment of the processing fee will present a financial hardship.
- 8.5% of Housing New Mexico-determined tax credit allocation amount rounded down to the nearest dollar.
- If the actual tax credit amount is greater at Final Allocation than when the Letter of Determination was delivered, the Applicant must pay an additional processing fee of 8.5% of the increase in the tax credit amount.

4. Additional Review Fees

One underwriting with one opportunity to make corrections is included in the standard Application and Processing Fees. Any additional underwriting (of the Initial Application or submissions described in the Post Award Requirements Handbook) to

review further corrections or changes to the Project will incur a $1,500 fee per review.

5. Extension Fee

For a request to extend the deadline of any documents required under Post Award Submittals and/or with submission of late or missing documents required under Post Award Submittals, and/or to extend the deadline to close on Project financing and begin construction in Section III.B.1.

- $2,500 per week due upon invoice

6. Monitoring and Compliance Fees

Housing New Mexico will send an invoice for the first credit year fees shortly after the Project is Placed In Service. The invoice is due upon receipt.

Thereafter, fees are due annually by January 31st through the end of the Extended Use Period. The monitoring and compliance fee for the entire 15-year Compliance Period may be paid in a lump sum at the time the first credit year fees are due (number of Units x $50/Set-aside Unit/year x 15 years).

- $50/set-aside Unit/year (Average Income projects may be subject to an increased Compliance Monitoring fee.)
- $20/set-aside Unit/year during the Extended Use Period

Projects which fail to pay the Annual Compliance Monitoring fees by the January 31st deadline will be assessed a late fee of $1,500.

7. Reinspection Fees (Compliance Monitoring)

A re-inspection fee will be charged if Housing New Mexico is unable to complete the inspection due to owner/agent's failure to notify residents or owner/agent's failure to appear for the inspection.

- For properties within 60 miles from Housing New Mexico's office (one way), the fee is $80.
- For all other properties further than 60 miles, the fee is $250

Additional inspection fees will be charged as follows and are due within 30 days of billing.

8. Compliance Monitoring – Non-Compliance Fees

Projects will be charged additional inspection fees in the following circumstances:

- Issuance of IRS Form 8823: Each IRS Form 8823 issued $150 plus $25 per Form.

- Non-compliance with the LURA requirements that persists 6 months beyond the traditional 30 days initial response time will incur a $200 penalty fee plus a reinspection fee if a follow-up inspection becomes required for monitoring reviews open 12 months beyond the initial response deadline.

Additional inspection fees are due within 30 days of billing.

9. Change Requests

Request for changes to a Project incur a $500 fee due at submission of the request. Changes include, but are not limited to:

- changes in ownership prior to receiving Form 8609,
- other changes, that in Housing New Mexico's sole discretion, do not rise to the level of requiring an additional underwriting review.

10. Reissuance of Form 8609

Housing New Mexico sends draft 8609 forms to the Owner for review prior to issuance. A $250 fee for each 8609 form that must be re-issued after it is signed and issued to the Owner; total fees shall not exceed $2,500.

11. Ownership Change and LURA Modification Fees after receipt of Form 8609:

- $500 non-refundable fee due at submission of application to change ownership, General Partner, and/or limited partner, request a limited partner exit and/or request a LURA modification.
- If applicable, an additional $250 per item requested in a LURA Modification, when the Project is out of compliance with Asset Management at the time of the application.
- If applicable, an additional $1,500 processing fee upon approval of an ownership or General Partner change.
- If changes are made to the ownership structure without Housing New Mexico's prior written approval, the Project will be considered out of compliance. This noncompliance may result in a denial of requests for a future ownership change, financing, and/or LURA modification and may, at Housing New Mexico's discretion, also be subject to a $10,000 fine to move forward with the ownership change process.

D. Process to Allocate Tax Credits

Applicants may request a 42(m) Letter by submitting an Application at least 60 days , but no longer than 90 days, prior to submission to the State Board of Finance for bond volume cap. Requests must include an Application fee and Direct Cost Deposit

as listed in Section III.C.2, a market study, a completed 2027 Universal Rental Development Application and Schedules with all attachments and any other material specified by Housing New Mexico. The market study must meet all requirements identified in Section IV.D in Housing New Mexico's determination and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by Housing New Mexico. Once the State Board of Finance has approved an allocation of volume cap, and prior to the release of the Letter of Determination by Housing New Mexico staff, a processing fee in the amount of 8.5% of the approved annual credit amount will be due, unless an agreement is signed to pay the processing fee at closing. Housing New Mexico's initial response to the Application for 4% tax credits will be provided no later than 60 business days after receipt of the Complete Application by Housing New Mexico.

In addition to the Project Narrative required for 9% Projects found in the 9% QAP, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A failure to provide any of the information required herein will result in a determination, in Housing New Mexico's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

a. The current use and condition of the proposed site;

b. The amount of requested Volume Cap. Provide explanation of and support for the amount requested;

c. Evidence of qualification under the relevant bond financing sections of the Code;

d. Describe in detail the bond financing structure;

1. Identify if there will be more than one series of bonds;

2. Will the bonds be used in construction only or be used in permanent financing;

3. Bond terms including any source used to pay back the bonds;

4. All entities involved in the financing, e.g., rating agencies, bond insurer, letter of credit bank, credit enhancement Entity;

e. Evidence and support of adequate market for the Units and explanation of why the housing needs of households eligible to live in the proposed Project are not being met by existing multifamily housing;

f. Conditions to be satisfied prior to bond issue, e.g., all governmental approvals, real estate conditions;

g. Statement indicating why the public purpose of the bonds could not be as economically or effectively served without an allocation of bond cap;

h. Other information regarding the economic benefits of the Project to the Project's community and the State of New Mexico;

i. Provide a detailed timeline, incorporating all pertinent milestones including but not limited to all governmental approvals and the bond closing.

Tax-exempt bond financed Projects may receive tax credits on the full amount of their Eligible Basis only if at least 25% of the Project's "aggregate basis" is financed with tax-exempt bonds. Additionally, numerous bond-financing rules apply, and many tax credit requirements are different for tax-exempt bond financed Projects. Housing New Mexico recommends that Project Owners undertaking these Projects obtain advice from qualified tax professionals to ensure that such requirements are met.

E. Rehabilitation Projects

1. Scope of Work

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the scope of work, this submission must identify the work to be performed including any demolition. At a minimum, the Project's scope of work must meet the definition of a Moderate Rehabilitation in the Glossary at Section IX. See Design Standards for more detailed discussion of Scope of Work requirements.

The scope of work must include a detailed narrative. This narrative should:

a. Describe the following:
   i. Proposed rehabilitation plans, including a detailed discussion regarding how the Project conforms to the definition of a Moderate Rehabilitation or Substantial Rehabilitation in the Glossary at Section IX, including the major building systems to be replaced and/or improved, how and whether the work area exceeds 50% of the aggregate building area, and how the proposed rehabilitation plans are consistent or inconsistent with the scope of work and/or Capital Needs Assessment ("CNA"). (See the Glossary and below for CNA requirements.)

ii. Any capital expenditures made to the Project over the past two (2) years and the nature of these capital expenditures.

iii. Any past local, state or federal resources invested in the Project.

iv. Any obvious design flaws, obsolescence issues or safety issues.

v. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster or any other catastrophic event.

vi. Why the Project is appropriate for rehabilitation and not demolition;

vii. The physical aspects of the existing building(s), including, but not limited to, structural conditions;

viii. Any relocation issues;

ix. Work performed, including the inclusion of any third-party reports, to determine the reasonableness of a rehabilitation versus demolition; and

x. Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

b. Address the following:
   i. The anticipated date of site control and whether there is any Identity of Interest between or among any Principal of the seller and buyer.

   ii. The Ten-Year Rule. (See Code Section 42(d)(2)(B)(ii).)

   iii. Current financing on the property or Project which will be assumed or paid with LIHTC equity or an Housing New Mexico-administered funding source. e.g. paid in full vs assumed and current terms.

c. For Projects involving demolition, provide details of what the demolition entails. e.g. interior walls, debris removal, building envelope.

2. Capital Needs Assessment

All Projects that include rehabilitation must provide a CNA prepared by a professional who meets the minimum requirements set forth in the Design Standards. (See Glossary for requirements.) Housing New Mexico will review the CNA to determine whether it supports the Scope of Work outlined in the Application and complies with the Design Standards. The CNA is due with the Initial Application.

3. Relocation Plan

Applications with rehabilitation must submit a relocation plan in accordance with the Uniform Relocation Act. Requirements may be found on Housing New Mexico's website at: https://housingnm.org/developers/federal-regulations/uniform-relocation-act.

F. Staff Analysis and Application Processing

1. Threshold Review

Following the Application Deadline, Housing New Mexico will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section IV. If the Initial Application fails to meet threshold requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section III.F.7 and if not corrected in the five business days allowed, the Application will be rejected.

2. Feasibility Analysis and Financial Considerations

All Projects, in addition to the threshold review process, will undergo financial analysis by Housing New Mexico staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in Housing New Mexico's judgment may be rejected without further processing. All financing sources must be clearly identified, and their terms specified in a letter of interest from the financing source.

Projects must meet all standards in the Underwriting Supplement which includes, among other topics, cost limits, debt coverage ratio floors, operating expense ranges, as well as requirements for other Housing New Mexico financing.

3. Initial Design Review

All Projects will be subject to Housing New Mexico's design review and construction inspections to determine compliance with the Design Standards. Housing New Mexico staff will make a good faith effort to perform an initial review of construction documents within ten (10) business days after receipt of complete construction documents.

Housing New Mexico will review the CNA, if applicable, for completeness, consistency with the Application and compliance with the Design Standards.

4. Local Notice

Within 10 days after receiving the Application, Housing New Mexico provides a "Local Notice" to the Chief Executive Officer of the local jurisdiction identified on the Application form that informs the local jurisdiction that an Application has been received and offers a 30-day window to comment. The jurisdiction may be a municipality, town, county or tribal government.

5. Site Visits

On completion of the threshold review, and as allowed by current health conditions, public health and executive orders, or laws, Housing New Mexico may visit the proposed site. Sites considered by Housing New Mexico in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or financial feasibility analysis.

6. Deficiency Correction Period

Housing New Mexico may provide a five-business day deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items, 2) clarify ambiguous information, 3) complete forms, 4) make minor corrections to the Application, or 5) request supplementary information, that Housing New Mexico, in its sole discretion, believes is necessary to complete its review.

In the event that Housing New Mexico identifies five or more deficiencies, inconsistencies and/or conflicting data/information in the Initial Application, or subsequent submissions, the submittal will be rejected and returned to the Applicant for correction of all deficiencies, inconsistencies and/or conflicting data/information. Housing New Mexico will only include the first five deficiencies, inconsistencies and/or conflicting data/information in the notification. The Applicant is responsible for finding any others in the submission package. Rejected submission packages must be resubmitted in their entirety, as if no submittal had been made prior thereto. All resubmittals will be placed at the end of the queue of Projects that are under review at the time the Application is resubmitted. The Applicant may respond to only one deficiency correction notice without incurring an Additional Review Fee described in Section III.C.4.

If the deficiency correction period is used, Housing New Mexico will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following "Form of Submission" requirements shown in Section III.B.3 above.

Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant's failure to provide materials or to provide materials in the required form, as well as other deficiencies that Housing New Mexico determines in its reasonable judgment may not be correctable. In no case shall the deficiency correction period be used by Housing New Mexico to allow an Applicant to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in Section VII.C. If the information requested by Housing New Mexico is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.

7. Final Processing and Awards

Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by Housing New Mexico. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in Housing New Mexico's reasonable judgment to evaluate the Project's Application.

42(m) Letter

Once a Project has been deemed compliant with the QAP and its appendices, Housing New Mexico will issue a draft 42(m) Letter to the Applicant to insert into an application for private activity bond volume cap from the State Board of Finance.

8. Post Award Submittals

Affirmative actions after 42(m) Letter. From the date of the 42(m) Letter, the Applicant must continue to timely remit all Tax Credit Program related fees and meet each of the deadlines specified in the Post Award Processes and Requirements Handbook attached to and incorporated by reference to this QAP. **Housing New Mexico has no obligation to provide any further notice to Applicants of these requirements and Housing New Mexico may refuse to process a Final Allocation until missing items are provided. All submissions must follow "Form of Submission" requirements shown in Section III.B.3.**

IV. Threshold Requirements

All tax credit Applications must meet each of the following requirements, in addition to the eligibility requirements of the Code.

A. Site Control

1. Site control for all of the property needed for the Project must be evidenced by:
   a. A fully executed and legally enforceable purchase contract or purchase option and/or a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a Qualified Leasehold Interest upon execution of the lease, (collectively termed a "transfer commitment"). If a transfer commitment is submitted, the commitment must provide for an initial term lasting at least until June 30 of the year in which the allocation is made ("initial term.") This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. **If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the Initial Application**; or

   b. A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.

2. Site control evidence and the Application materials must show **exactly** the same names, legal description and Acquisition Costs. (Exception: In the case of To Be Formed partnerships, the relationship between the parties must be shown.) All signatures, exhibits and amendments must be included to be considered complete.

3. If the Developer has purchased the land or depreciable real property within one year prior to the Initial Application with bridge financing, evidence of the purchase price paid must be included in the Initial Application.

B. Zoning

Zoning allowing the Project to be built must be in place at Initial Application. The Initial Application must include a letter from the local jurisdictional zoning (or planning) official stating that the current zoning of the proposed site(s) does not prohibit the proposed Project. The zoning letter must be dated no more than six months prior to the Application Deadline and indicate the specific address for the

proposed Project or location of the site, if no address has been assigned. The letter must indicate that multifamily projects are not prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site.

C. Fees

All fees owed to Housing New Mexico for all Projects in which Principal(s) of the proposed Project participate must be current. Fees currently due and owing must be received by Housing New Mexico by the date due.

D. Market Study

A Market Study must be submitted with the Initial Application and completed by a vendor meeting the requirements agreed upon in the Market Study Professional Certification document, found at http://housingnm.org/developers/developer-resources/market-study-requirements. The market study itself must meet the requirements and follow the methodologies identified in the National Council of Housing Market Analysts (NCHMA) Model Content Standards and have been issued within 180 days of the Application submission[4]. All market studies must be issued to Housing New Mexico as the designated user. The market study must indicate a need for the Project and demonstrate that the overall vacancy rate in the Primary Market Area defined in the market study is less than 10%.

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by Housing New Mexico. The cost of this Housing New Mexico-ordered Market Study will be covered by the Applicant through the Direct Cost Fee invoiced with a deficiency correction described in Section III.C.2.b. It is Housing New Mexico's sole discretion whether or not the Market Study is sufficient.

E. Applicant Eligibility

All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with Housing New Mexico and all other state and federal affordable housing agencies.

To determine eligibility, Housing New Mexico reviews publicly available information, its internal records and the following Application exhibits:

[4] Market Studies that were issued more than 180 days but less than one calendar year prior to the Application submission may be updated at the market analyst's discretion. Market Studies issued one year or more prior to the Application submission will be rejected. A new Market Study is required.

- Related party affidavits inserted at Tab 1h for the Developer, Project Owner, General Partner, contractor, consultant(s), and architect affirming they have no related party relationships; or, that all related party relationships have been properly disclosed.
- Organizational chart inserted at Tab 1i that includes all related party interests among the Developer, Project Owner, General Partner, contractor, management company, consultant(s) and architect.
- Compliance affidavit(s)[5] in the form stipulated at Tab 1l of the Application certifying the Projects owned/developed by the Principal and its Affiliate(s) have no outstanding Material Compliance Matters. Only Applicants (along with their Affiliates) with no outstanding Material Compliance Matters are eligible to participate in the 4% LIHTC program.
- Development team resumes inserted at Tab 12 to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others.

Housing New Mexico may reject an Application under the following circumstances relating to the Project Owner or other Principal, or any development team member:

- debarment from HUD, Housing New Mexico or other federal housing programs,
- bankruptcy, criminal indictments or convictions,
- poor performance on prior Housing New Mexico or federally-financed Projects, including:
    - late payments of any Housing New Mexico fees or loan payments within the 18-month period prior to the Application Deadline,
    - misuse of reserves and/or other Project funds,
    - default,
    - fair housing violations,
    - Material Compliance Matter with the terms of a LURA on a Project controlled by an Affiliate, or

[5] Applicants shall attach a complete list of all Projects in which the Principal and/or its Affiliate(s) have experience. The schedule of experience required shall be in the form of a recent real estate owned schedule provided to a lender, a HUD Form 2530, or other similar form that includes the experience of the Principal completing the compliance affidavit. The schedule of experience shall include every project that is Placed In Service for which the Principal has a financial interest and that the Principal developed without an ownership participation. Projects that are planned or under development may be included but are not required. If the experience of any Principal differs from the Applicant and/or General Partner, a separate schedule of experience is required for that Principal.

- failure to meet Housing New Mexico development deadlines or documentation requirements

Housing New Mexico may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by Housing New Mexico.

F. Financial Feasibility

Applications must demonstrate that the Project meets all requirements in the Underwriting Supplement.

G. Pre-Application Requirements

1. Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 calendar days prior to submitting an Application.
2. All tax-exempt bond financed Projects are encouraged to meet Housing New Mexico staff at least 30 days prior to submission to review and discuss the proposed Project.
3. Developers applying for 4% LIHTC must complete a quiz based on the QAP training materials posted on Housing New Mexico's website and achieve a score of 80% or higher. This quiz must have been completed within the six months prior to submittal of the Application.

V. Selection Criteria

While tax-exempt bond financed Projects will not be required to meet a minimum score to obtain a Letter of Determination, they must meet and agree to all of the following mandatory selection criteria in order to be eligible for 4% non-competitive tax credits:

A. Locational Efficiency

The Project must be located within a 15-minute drive (as demonstrated through Google Maps) to a facility in which fresh produce is available (or demonstrate that a full-scale supermarket within a 15-minute drive is part of an approved master plan to be developed.

B. Rehabilitation Projects

The Project Selection Criterion applies to the rehabilitation of Low-Income apartment Units or the conversion of Market Rate apartment Units to Low-Income Units.

Projects must incur average rehabilitation Construction Costs of $25,000 per Unit or more for Moderate Rehabilitation or $45,000 per Unit or more for Substantial Rehabilitation (see Section IX Glossary for definitions). Rehabilitation that is less than a Moderate Rehabilitation is not eligible for 4% LIHTC.

Housing New Mexico may request additional information or documentation regarding the scope of work.

C. Meet All Criteria for One of the Following Targeted Populations

1. Households with Special Housing Needs Housing Priority

Due to restrictions within the USDA program, this Project Selection Criterion is not available to Projects involving USDA-RD rental assistance.

Twenty percent or more of total Units are reserved for Households with Special Housing Needs (see definition in Glossary), and

- at least 10% of the total Units in the Project must be rent-restricted at 30% of Area Median Income (AMI), **or**
- have secured (at time of Initial Application) permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income.

The Application includes a Service Coordination Plan demonstrates satisfaction of items a, b, c and d below.

Applicant certifies to Housing New Mexico that it will meet the reporting requirements described in the Low-Income Housing Tax Credit Compliance Plan.

a. Fair Housing

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

b. Service Coordination

i. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties with up to 20 Units set aside for Households with Special Housing Needs, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:
   - Providing residents with information about available onsite and community services;
   - Assisting residents in accessing available services through referral and advocacy;
   - Arranging for access to transportation; and
   - Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)

ii. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.

iii. Appropriate space reserved for the delivery of supportive services.

iv. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.

v. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.

vi. Provide follow up as needed to address residents' needs.

vii. Conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

c. Coordinated Services-

~~i.~~ Immediately following the issuance of a certificate of occupancy, implementation of at least two services/programs to be offered <u>on-site</u> on a monthly or quarterly basis.

ii. Services must be actively linked to the Project, not simply available to the community-at-large (e.g., senior center, head start) unless the on-site space where the program is held qualifies as a community service facility under the Code.

iii. Services must be provided to residents at little or no cost, which must be reasonable in Housing New Mexico's sole discretion. Any cost for services must be accounted for separately from rent. Services may not be provided by property management staff. In limited circumstances some services may be

provided by the service coordinator. Appropriate services will do one or more of the following:

- Increase resident knowledge of and access to available services.
- Help residents maintain stability and avoid eviction.
- Build life skills.
- Increase household income and assets.
- Increase health and wellbeing.
- Improve educational success of children and youth.

iv. Examples of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.

- Literacy/language training;
- Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);
- Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);
- Income and asset building (job coaching, homebuyer education);
- Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

d. Marketing

i. Applicants shall provide a narrative explaining how Units will be marketed and made available to Households with Special Housing Needs. This plan shall describe the following:

- The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.
- The process for maintaining and updating a waiting list of Special Housing Needs applicants eligible to reside in a Special Housing Needs Unit.
- How the Project will liaise with a Special Housing Needs applicant/resident in order to facilitate communication to help residents maintain stability and avoid eviction.

ii. Project Applicant shall agree that Special Housing Needs Units shall not be rented to other non-Special Housing Needs households unless the Unit has been marketed by the Project Owner and/or Management Company for 30 days from Placed In Service or Substantial Completion date, date notice to

vacate is received for occupied Units, or date vacancy was established when no notice was received.

e. Service Coordination Budget

The proposed Project annual operating budget must include sufficient costs to cover the services offered and be detailed out in the submitted budget for serving this Households with Special Housing Needs Housing Priority provided in detail within the service budget submitted in the Initial Application at Tab 20c.

f. Evidence of Service Provider Capacity

- Application must include a letter from the qualified service provider that:
  - Briefly describes their experience providing the service committed in the Application, which shall not be less than three years; and
  - Describes the staffing capacity to provide the service committed in the Application; and
  - Affirmatively states, that should the Application receive a reservation of tax credits, that the service provider will provide the committed service, including
    - A description of the service(s) to be provided;
    - An acknowledgement that the service will be delivered on-site at the property;
    - the frequency that the service will be provided;
    - which staff position will provide the direct service; and
    - the fee, if any, to the property and/or residents.
  - The letter must be memorialized in a memorandum of understanding or service contract before the 50% completion meeting as described in the Post-Award Processes and Requirements Guide.

g. Land Use Restriction Agreement

The requirements of this selection criterion and any services proposed in the Application will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify Housing New Mexico within seven days of the termination of service agreements/contracts. The Project will be determined to be out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico's advance approval).

2. Projects Reserved for Seniors Housing Priority

"Senior Housing" means Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be:

• Provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly Persons (as defined in the state or federal program); or

• Intended for, and solely occupied by Persons 62 years of age or older; or

• Intended and operated for occupancy by Persons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

a. Fair Housing

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., the Section 202 program or the Housing for Older Persons Act).

Applicants are required to submit a Fair Housing Act Certification.

b. Land Use Restriction Agreement

The requirements of this selection criterion and any services proposed in the Application will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify Housing New Mexico within seven days of the termination of service agreements/contracts. The Project will be determined to be out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico's advance approval).

3. Households with Children Housing Priority

Twenty-five percent of all Units are reserved for Households with Children.

The Applicant must provide a description of the Project's specific design elements that serve the needs of Households with Children.

In addition to meeting the Design Standards, for new construction Projects, at least:

- 10% of the total Units must have three or more bedrooms with at least two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)

- and a further 15% of the total Units must have two bedrooms with at least two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower).

For rehabilitation Projects, at least:

- 30% of the total Units must have at least two bedrooms.

For Projects that combine rehabilitation and new construction:

- All newly constructed two- and three or more bedroom Units must have two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)

- Two- and three- or more bedroom Units must be added until the percentages required for new construction Projects are met for the Project overall.

a. Fair Housing

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

b. Land Use Restriction Agreement

The requirements of this selection criterion and any services proposed in the Application will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify Housing New Mexico within seven days of the termination of service agreements/contracts. The Project will be determined to be out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico's advance approval).

4. Labor Force Housing

Projects may provide housing for the labor force in lieu of housing to serve one of the three priority populations listed previously in this section if the project is located in a highly urbanized area within the jurisdictional boundaries of Santa Fe, Albuquerque or Las Cruces and a need for housing for the local labor force is supported by the market study. Qualifying Projects must provide efficiency, one-bedroom and/or two-bedroom Units designed to serve the local labor force. The market analyst must consider the following demographic criteria in the census tract when determining whether an area is highly urbanized:

- Population per square mile
- Ratio of single-family vs multifamily housing
- Percentage of units occupied by non-family households
- Percentage of units occupied by seniors
- Percentage of units occupied by children
- Household size
- Public transportation available

a. Fair Housing

All Projects must comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

b. Land Use Restriction Agreement

The requirements of this selection criterion and any services proposed in the Application will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify Housing New Mexico within seven days of the termination of service agreements/contracts. The Project will be determined to be out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico's advance approval).

D. Marketing Units to Households Listed on Public or Indian Agency Waiting Lists

Projects must commit to market the Units to households listed on public or Indian housing agency waiting lists. A letter to the Public Housing Authority (PHA) or Tribally Designated Housing Entity (TDHE) that serves the jurisdiction of the proposed site verifying this commitment is required.

E. Non-Smoking Properties

All LIHTC Projects are required to participate in the New Mexico Smoke-Free at Home program. More information on the certification programs may be found at https://www.smokefreeathomenm.org/get-certified-today/. In order to receive Certification, Applicants will be required to complete three steps as detailed on the Smoke-Free at Home website, including the submission of a Letter of Intent, a Lease Addendum, and a Violation Policy. Projects must indicate a commitment to provide one of the following certifications and submit proof of certification with the Project's 8609 Application:

1. Smoke-Free at Home NM Platinum Certification (new construction Projects which do not allow any smoking or use of electronic cigarettes at any time on any part of the property);
2. Smoke-Free at Home NM Gold Certification (applies to, rehabilitation and/or Adaptive Reuse Projects and no smoking or use of electronic cigarettes is permitted at any time on any part of the property).

The Project must have appropriate space for the provision of smoking cessation classes.

F. Veterans Preference

Project's resident selection criteria must contain a preference for active duty, Honorably Discharged, or retired US military Veterans.

This selection criterion requires pre-approval from HUD for Projects with project-based Section 8 contracts; Applicants must provide the materials used to request the approval from HUD before closing.

VI. Underwriting Criteria

Requirements regarding cost limits, Feasibility Analysis and financial considerations, and tax credit calculations are stipulated in Appendix C (Housing New Mexico's Underwriting Supplement) attached to and incorporated by reference into this Qualified Allocation Plan.

VII. General

A. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, and 2) an addition of significant improvements and services to enhance livability for the tenants. These may qualify for standard tax credit applicable percentages.

B. Property Standards

All Projects must conform to the 2027 Mandatory Design Standards for Multifamily Housing, which are hereby incorporated into this QAP at Appendix D.

C. Termination of Determination of Qualification or Rejection of Applications

Any of the following events or actions on the part of the Applicant at any time subsequent to the Initial Application may cause the Application to be rejected or the Reservation to be terminated in Housing New Mexico's sole discretion:

1. Loss of site control or site change

2. Submission of any false or fraudulent information in the Application or in other submissions

3. Failure to meet the conditions and directives in this QAP, the Reservation Letter, and all appendices to this QAP.

4. Subsequent regulations issued by U.S. Department of Treasury or the IRS pertaining to the Code

5. Failure to promptly notify Housing New Mexico of any material or adverse changes in the facts of the original Application pursuant to Section VII.D below

6. Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other Projects

7. Any other change which would alter the original selection of the Application or which was not approved in advance by Housing New Mexico

8. Debarment from HUD, Housing New Mexico or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior Housing New Mexico or HUD-financed Projects (including but not limited to late payments within the 18 month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal

9. Change in the federal Set-Aside Election or other set-aside proposed in the Initial Application, subsequent to the Application Deadline

D. Notifications to Housing New Mexico of Change to the Project

It is Applicant's responsibility to notify Housing New Mexico immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting Housing New Mexico's approval of such changes. Failure to notify Housing New Mexico may result in the rejection of an Application or tax credit allocation. Approval of such changes will be made in Housing New Mexico's sole discretion and the change may result in a change in the tax credit amount or other action by Housing New Mexico. A $500 fee payment is required at the time of the request for approval of any changes in accordance with Section III.C.

Examples of changes of which Housing New Mexico must be notified:

1. Site control or rights of way are lost or at risk of loss;

2. Project costs change in excess of 5% of the Total Development Cost subsequent to Initial Application submission;

3. Applicant obtains additional subsidies or financing, or loses subsidies or financing, and/or the amount of any such financing or subsidy changes by greater than or equal to 10% from the amount shown in Initial Application submission;

4. Development cost contributions made by a state, local or tribal governmental Entity are reduced, increased, withdrawn or substituted with other types of contributions than the ones originally proposed in the Application;

5. The syndication payment timing and/or net proceeds change from those stated in the Initial Application submission;

6. The parties [other than the limited partner(s) formation] involved in the ownership Entity as represented in the Application change;

7. Changes to Project design, Unit design, square footage, Unit mix, number of Units, number of buildings, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification;

8. A change in any enrichment service provider and/or change in type of enrichment service to be provided;

9. The general contractor or other member of the original development team changes;

10. Any fire or other natural disaster occurring at or near the Project site; or

11. Any other factor deemed material by Housing New Mexico in its reasonable judgment.

E. Notice Provisions

Housing New Mexico will typically provide notice to Applicants through certified mail, courier service or e-mail transmission. Consequently, correct street addresses, e-mail addresses and phone numbers must be provided clearly in the Application form. **Such notices will be provided only to the Contact Person(s) shown in the Application form. Housing New Mexico will not be responsible for any consequences that may result from the Applicant's inability to receive notice from Housing New Mexico due to a change in Contact Person information, or other contact information i.e., address or phone number, that was not reported to Housing New Mexico**.

F. Applications are Public Records

All information contained in Applications to Housing New Mexico are public records subject to inspection under state and federal open records laws. In addition, Housing New Mexico may share information and details obtained from Applications with other public agencies.

After award, all Applications are open to the public for inspection and copying. Applicants must redact confidential and personal identifier information from documents if the information is not specifically required by Housing New Mexico.

Applicant agrees to indemnify Housing New Mexico from any claims arising from or related to Housing New Mexico's disclosure or nondisclosure of materials submitted to Housing New Mexico related to the Application.

G. Attorney Fees

Any and all attorney fees incurred by Housing New Mexico in the course of contract development, negotiations, project reviews, loan conditions, ownership changes, changes to the Project or other project-specific legal expenses will be reimbursed by the Project or Developer. In any litigation, arbitration or other proceeding arising from, as a result of or pursuant to this QAP and/or the resulting tax credit allocation round, selection process or award determinations, Housing New Mexico, if it is the prevailing party, shall be entitled to be awarded its reasonable attorney fees, costs and expenses incurred from the opposing party, regardless of which party initiated the litigation, arbitration or other proceeding.

H. Audit Requirements

Beginning with issuance of the Reservation Contract and Reservation Letter by Housing New Mexico and during the entire term of the Compliance and Extended Use Periods, Housing New Mexico may perform an audit or other related procedures of any Project that has received an allocation of tax credits. Projects selected for audit or other related procedures may be chosen at random or based on Housing New Mexico's discretion.

An audit or other related procedure may include, but is not limited to:

- an on-site inspection of all buildings;
- a review of all records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of tax credits;
- audit of all costs of a Project, including invoices, all third-party contracts, e.g., construction contract(s), management contract(s), architect and other professional contract(s), all construction pay applications and back up documentation (including, but not limited to, subcontractor invoices), and any other documents deemed necessary to perform the above;
- an audit of records of the process used to select general contractors (including any RFPs and Proposals).
- a review of written communication with selected general contractor regarding required Cost Certification upon Project completion.

I. Compliance Plan

Federal law requires Housing New Mexico to develop and implement a compliance-monitoring program for completed Projects that have received LIHTCs. A compliance

plan contained in a manual has been developed and is available to the Project Owners at Housing New Mexico's website, www.housingnm.org.

VIII. Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

Federal law requires Housing New Mexico to develop and implement a compliance-monitoring program for completed Projects that have received LIHTCs. A compliance plan contained in a manual has been developed and is available to the Project Owners at Housing New Mexico's website, www.housingnm.org. Compliance Monitoring is required for a minimum of 15 years after receipt of a tax credit allocation. Each Project Owner has chosen to utilize LIHTCs to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met so that the Project will benefit Low-Income Tenants.

Project Owners will be required to submit a quarterly report to Housing New Mexico for each of the first four calendar quarters after a Project is Placed In Service. At that time, if the Project is determined to be in compliance with the Code, reports may be filed on an annual basis with Housing New Mexico's approval. Project Owners will be required to submit to Housing New Mexico a copy of all federal form 8609's, including schedule A, filed with the IRS in the first year that credits are claimed and at any subsequent time as requested by Housing New Mexico. Housing New Mexico reserves the right, in its sole discretion, to require such additional reports and/or records as Housing New Mexico reasonably determines are necessary.

Beginning three (3) years prior to the expiration of rent restrictions:

- Project Owners shall notify existing tenants in writing of the date when the Project's long-term use restrictions will expire. If the Project Owner fails to timely issue the notice, each existing tenant's rent shall remain restricted until such time as each existing tenant receives three years notice of the expiring use restrictions.
- Notify all new tenants in writing of the date when the Project's long-term use restrictions will expire concurrent with signing a lease to move into the property. If the notice is not signed by the tenant with the lease, the tenant's rent restriction shall be extended for the number of days the notice was delayed.

Project Owners shall maintain copies of each notice with documentation of the date that the tenant received the notice.

B. Inspections

Housing New Mexico will conduct on-site inspections of all buildings in the low-income housing Project and will review low-income certifications by the end of the second calendar year following the year the last building in the low-income housing Project is Placed In Service; and at least once every 3 years thereafter. The minimum number of Low-Income Units that must be included in the random samples on which Housing New Mexico will conduct physical inspections or low-income certification review is the lesser of the applicable REAC number or 20 percent of the Low-Income Units in the Project, rounded up to the next whole number.

Each inspection will include a review of the Project's low-income certifications, supporting income documentation, leases, rent records (including utility documentation) and Unit inspections in at least the minimum Unit sample size of the Project's Set-Aside Units and a physical inspection of the entire Project (interior and exterior). In mixed-use and mixed-income properties, 100% of the Units may be monitored. If Projects are determined to be in noncompliance, site visits may occur more often. Housing New Mexico will provide the owner written notification at least 15 days in advance of scheduled inspections.

Housing New Mexico will also inspect, as applicable to the property, compliance with service coordination plans and service coordinator office hour requirements, enrichment services, coordinated services, etc. committed to under the Households with Children Housing Priority, Households with Special Housing Needs Housing Priority, Projects Reserved for Seniors Housing Priority and the PSH category under the Underserved Populations set-aside.

During the Extended Use Period, Housing New Mexico reserves the right, under the provisions of the Code and the Project's LURA, to perform an audit of any Project that has received an allocation of tax credits. This audit will include an on-site inspection of all buildings and a review of all tenant records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of credits.

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's

eligibility for tax credits. The Project Owner must report to Housing New Mexico, through Housing New Mexico's Web Compliance Management System (WCMS), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential Unit)
2. The percentage of residential Units in the building that are Set-Aside Units
3. The rent charged on each residential Unit in the building (including utility allowances)
4. The number of occupants in each residential Unit in the building
5. The Low-Income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented
6. The income certification of each Low-Income Tenant
7. The documentation to support each Low-Income Tenant's income certification
8. The Eligible Basis and Qualified Basis for each building
9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)
10. Additional documentation and reporting as required by federal regulation
11. Additional documentation and reporting as required by Housing New Mexico

Failure to annually report is deemed as noncompliance and is reportable to the IRS.

D. Annual Certification Review

It is the responsibility of the Project Owner to annually certify to Housing New Mexico that the Project meets the requirements of the Code, whichever set-aside is applicable to the Project. Failure to make this certification is deemed as noncompliance and is reportable to the IRS. This annual certification requires the Project Owner to certify that:

1. The Project meets the minimum requirements of the set-aside election

2. If the Project is an Average Income Test project, the owner has met the qualified group of units to satisfy the Average Income Test. The owner has met the qualified group of units to determine the applicable fraction. There have been no changes to the unit designation this year.

3. There has been no change in the Applicable Fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the Project.

4. The owner has received an annual Tenant Income Certification from each Low-Income Tenant and documentation to support that certification, or the owner has obtained self-certifications based on HERA rules.

5. Each Low-Income Unit is rent restricted under Section 42(g)(2) of the Code.

6. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) of the Code).

7. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court.

8. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.

9. There has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since last certification submission.

10. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.

11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of

comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.

12. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income.

13. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).

14. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non- profit organizations" under Section 42(h)(5) of the code and its Non-Profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

15. There has been no change in the ownership or management of the project.

16. The owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the project. In addition, the owner acknowledges this process to be an annual requirement of the LIHTC program and certifies to adhere to this requirement for the duration of the compliance period for the project.

17. For the proceeding 12-month period (pursuant to IRS Revenue Ruling 2004-82) the owner has complied with §42(h)(6)(E)(ii)(I) that an existing tenant of a low-income unit has not been evicted or had their tenancies terminated for anything other than good cause.

18. The owner has complied with § 42(h)(6)(E)(ii)(II) and not increased the gross rent above the maximum allowed under § 42 with respect to any low-income unit.

19. The project has complied with the Violence Against Women Act (VAWA), which provides protections for residents and applicants who are victims of domestic violence, dating violence or stalking, and any other situation or incidence mandated by VAWA. Compliance requirements mandated by VAWA include, but

are not limited to, honoring civil protection orders, eviction protection and bifurcation of lease when necessary.

20. The owner has received an annual Student Self Certification for each low-income household.

21. The owner is compliance with all agency mandated tenant protections and any applicable protections required by state or local landlord-tenant laws or rules

22. The owner continues to comply with all terms it agreed to in its application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its application.

23. The property has not suffered a casualty loss resulting in the current displacement of residents.

24. The owner has not initiated foreclosure or instrument in lieu of foreclosure since the completion of the last Certification of Continuing Program Compliance.

25. If applicable, the property has completed the annual service coordination requirements per the LURA including on site office hours, providing coordinated services and conducting an annual survey.

26. If applicable, the property has completed PSH Commitment to Quality checklist for every Permanent Supportive Housing for each qualified household.

27. If applicable, the property has provided all required service enrichments according to the schedule listed in the LURA with lapses in services no greater than 30 days and has current Memorandums of Understanding with all Service Providers.

28. The property is incompliance with the Smoke Free at Home Program.

29. If applicable, the property has all required special needs units filled or offered all vacancies that came available in the last year to the Local Lead Agency on a priority basis in compliance with requirements for the Special Needs Housing Priority.

As an exception, only for RD Projects, Housing New Mexico may accept a certification from RD that income is based upon annual tenant certifications/re-certifications and that third party verification has been obtained. This certification will be in a form that is acceptable to both RD and Housing New Mexico. Project Owners must furnish RD certifications annually, verifying that Projects are in compliance with the Code.

Tax-exempt bond financed Projects in which 50% or more of the aggregate basis is funded with the proceeds of bond financing may also be exempt, in Housing New Mexico's discretion, from many of the certification and review provisions outlined within this document. The monitoring and certification guidelines for these Projects must be in a form that will satisfy those agencies issuing the bonds and Housing New Mexico. The Project's monitoring procedures must, at a minimum, satisfy the compliance guidelines set forth by the Code.

Projects which are 100% allowable for tax credit purposes (i.e., all Units are income and rent restricted at 60% of AMI or lower or 80% of AMI or lower with an average income of 60% AMI or lower for Average Income Projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish Housing New Mexico certifications annually, verifying that Projects are in compliance with the Code, as well as any other data that Housing New Mexico may require per our monitoring and compliance guidelines.

The Project Owner of any exempted Project must certify to Housing New Mexico on an annual basis that the Project is in compliance with the requirements for RD assistance, tax credits or the tax-exempt bond financing guidelines, as applicable, and that all requirements of the Code are also being met. The Project Owner must inform Housing New Mexico of any noncompliance or if Project Owner is unable to make one or more of the required certifications.

E. Compliance Review

Housing New Mexico may elect to subcontract the monitoring procedure to other agents. In doing so, Housing New Mexico would designate the subcontractor as the compliance-monitoring agent who would perform Housing New Mexico's function.

In the event that any noncompliance with the Code is identified, a discrepancy letter entitled "Notice of Non-Compliance," detailing the noncompliance will be forwarded promptly to the Project Owner and the management company of the Project. The Project Owner must then respond in writing to Housing New Mexico within 30 days after receipt of the discrepancy letter. The response must address all discrepancies individually and must indicate the manner in which corrections will be made. The Project Owner will then have a cure period of 30 days from the date of the discrepancies individually and must indicate the manner in which corrections will be made. The proposed owner will then have a cure period of 30 days from the date of the discrepancy letter to correct the noncompliance detected and to provide Housing New Mexico with any documentation or certification found to be missing during the annual management review. The cure period may be extended for periods of up to six months. Extensions will be based on a

determination by Housing New Mexico that there is good cause for granting the extension.

Housing New Mexico will notify the IRS within 45 days after the expiration of the cure period of any noncompliance that has been detected. All corrections made by the Project Owner within the cure period will be acknowledged within this notice. A copy of the Project Owner's response to the noncompliance will accompany the notice to the IRS.

If potential noncompliance is discovered during a Compliance Monitoring review, the Project Owner will be required to have the Project's managing agent attend a compliance training session within two months following the Compliance Monitoring review.

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For 2027, the monitoring/compliance fee is $50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31, or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For 2027, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be $20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the Housing New Mexico office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through Housing New Mexico's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the Housing New Mexico office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

IX. Glossary

This Glossary defines terms that are used in this QAP and its incorporated appendices.

Acquisition Costs - for purposes of calculating Developer fee in related party transactions, the full appraised value of any land and/or existing improvements, including any buildings; and/or costs attributable to the acquisition of any land and/or improvements, including any buildings, and including costs relating to title, recording, legal and site review.

Adaptive Reuse Projects - Projects which will involve the conversion of an existing building or buildings, which was not initially constructed for residential use to multifamily residential rental Units (i.e., apartment Units).

Affiliate - any Person or Entity who (i) directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with the Applicant; or (ii) owns or Controls any outstanding voting securities, partnership interests, membership interests, or other ownership interests of the Applicant; or (iii) is an officer, director, guarantor, employee, agent, partner, member, manager or shareholder of the Applicant; or (iv) has an officer, director, member, manager, guarantor, employee, agent, partner, or shareholder who is also an officer, director, member, manager, employee, agent, partner, or shareholder of the Applicant; or (v) receives fees as a consultant or advisor that exceeds $200,000; or (vi) who otherwise shares an Identity of Interest. A third-party management agent that provides services for multiple non-related companies is not an Affiliate unless it is part of the vertically integrated Developer applying for LIHTC.

Affordability Period - Total of the initial Compliance Period plus the Extended Use Period (30-year minimum plus any additional time required and documented in the LURA).

Agency - New Mexico Mortgage Finance Authority (Housing New Mexico).

Allocation Review Committee (ARC) - a committee appointed by the Chairman of the Housing New Mexico Board of Directors to review Projects rating and ranking results, to determine if the proposed allocations have been made consistent with the Project Selection Criteria and the QAP, and to hear appeals and decide their outcome.

Allocation Set-asides - the federally mandated tax credit Allocation set-aside requirement for Projects involving Qualified Nonprofit Organizations, as well as other tax credit Allocation Set-asides designated by Housing New Mexico from time-to-time and incorporated into the QAP.

Annual Credit Ceiling - the total dollar volume of tax credits available for distribution by the Agency and authorized pursuant to the Code, in a given year. The population-based ceiling amount is the amount of tax credits allocated to the state each year based on the state population.

Applicable Credit Percentage - the monthly interest rate issued by the U.S. Department of Treasury and used to discount the present value of the 70% tax credit (set at 9% by the PATH Act of 2015) and the 30% tax credit (set at 4% by the Consolidated Appropriations Act of 2021.)

Applicable Fraction - the fraction, the numerator of which is the number of Low-Income Units and the denominator of which is the total number of residential rental Units less any Unit exempted by Revenue Ruling 92-61; or the fraction, the numerator of which is the floor space of the Low-Income Units and the denominator of which is the total floor space of the residential rental Units less any Unit exempted by Revenue Ruling 92-61, whichever is less. The Eligible Basis of a building is multiplied by the Applicable Fraction to determine the Qualified Basis of a building for tax credit purposes.

Applicant - the General Partner or the managing member(s) of the General Partner.

Application - the completed forms, schedules, checklists, exhibits uploaded to Housing New Mexico's file sharing site https:/.internal.housingnm.org/SFT_HD/ any additional documentation requested in the Initial Application Package, Placed In Service package and Final Allocation package, as well as any supplemental materials requested by Housing New Mexico. They must be submitted to Housing New Mexico in accordance with the QAP in order to apply for the Tax Credit Program.

Application Deadline –The submission date specified in Section III.B.1.

Application Package - the forms, schedules, checklists, exhibits uploaded to Housing New Mexico's file sharing site: https:/.internal.housingnm.org/SFT_HD/ and instructions thereto obtained from the Agency, which shall be completed and submitted to the Agency in accordance with all regulations in order to apply for the Tax Credit Program.

Application Period – the period during which Applications will be accepted by Housing New Mexico as described in Section III.A.

Architecture and Engineering – includes the following disciplines: all services provided through the architectural firm including architectural services and supervision, landscape design and civil, structural, mechanical, plumbing, electrical engineering. It does not include the services of a geotechnical engineer or HERS rater as these consultants are contracted directly with the Developer. Interior design, if applicable to the Project, is included in the Furniture, Fixtures and Equipment line under Other Construction Costs on Schedule A.

Area Median Income (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for household size and used to calculate maximum income of eligible Persons and rents for Rent Restricted Units. As of July 30, 2008, any Project located in a rural area (as defined in Section 520 of the Housing Act of 1949) shall have income limitations measured by the greater of the HUD median income or the national non-metropolitan median income.

Average Income (AI) Election – This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This set-aside allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI.

Board of Directors (Board) – Housing New Mexico's Board of Directors.

Brownfield – land where the development, redevelopment or reuse may be complicated by presence of hazardous substance, pollutant or contaminant including petroleum. Brownfield sites require a remediation plan based on a Phase II Environmental Site Assessment.

Building Identification Number (BIN) – Housing New Mexico issues a number to identify each building in the Project so the Owner can claim LIHTC from the IRS. Housing New Mexico only issues BINs for complete buildings and does not issue separate BINs by floor or due to separate permits being issued. The only exception is when a Hybrid 9%/4% Development requires separate BINs for each portion of a single building with a condominium plat to separate the portions of the building that are under separate ownership.

Building's Gross Square Feet – the sum of the Gross Square Feet on each floor of a building. Covered parking and structured parking should not be included in the Building's Gross Square Feet.

Capital Needs Assessment (CNA) – a report prepared by a competent professional meeting the minimum qualification/certification requirements set forth by Housing New Mexico, as defined in the Design Standards, that addresses the following:

1. Site visit and physical inspection of the interior and exterior of Units and structures
2. Interview with available on-site property management and maintenance personnel regarding past and pending repairs/improvements and physical deficiencies
3. Identification of the presence of any visible environmental hazards on the site or other life safety concerns
4. Opinion as to the adequacy of the proposed budget for recommended improvements.
5. Description of all major systems of the buildings and Units with a projection of the remaining useful life of each, including certification of critical building systems or components that have reached or exceeded their expected useful lives
6. Description of all building envelope and structural systems deficiencies

7. Projection of recurring probable expenditures for significant systems and components over 15 years.
8. Determination of the appropriate upfront and ongoing replacement reserve deposits.

Capture Rate – Ratio of the total Units proposed to the number of income qualified households in the Primary Market Area (PMA). This ratio is calculated by dividing the total number of proposed Units by the total number of age, size and income qualified renter households in the PMA.

Casualty - A casualty loss can result from the damage, destruction, or loss of your property from any sudden, unexpected, or unusual event such as a flood, hurricane, tornado, fire, earthquake, or volcanic eruption. A casualty does not include normal wear and tear or progressive deterioration.

Code –Section 42 of the Internal Revenue Code of 1986, as in effect on the date of the QAP, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued with respect thereto by the U.S. Department of Treasury or the Internal Revenue Service of the U.S.

Complete Application – an Initial Application meeting all of the requirements in Section III.B.4.

Compliance Monitoring – the Agency's procedure, as required by the Code and detailed in Housing New Mexico's Tax Credit Monitoring and Compliance Plan, of auditing and inspecting all completed LIHTC Projects.

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax Credit Period with respect thereto in which a LIHTC Project shall continue to maintain the Low-Income Units as Low-Income Units pursuant to Applicant's Set-Aside Election in the Application, pursuant to the Code. Compliance Period plus Extended Use Period equals Affordability Period.

Consolidated Plan – plan prepared in accordance with HUD regulations, 24 C.F.R. 91 (1994), which describes needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs.

Construction Costs – for purposes of calculating builder profit, overhead and general requirements and per Unit rehabilitation construction Cost, the on-site and construction Costs in the construction contract, before gross receipts tax, profit, overhead and general requirements. At Initial Application, Construction Cost should include a reasonable construction contingency.

Contact Person – a Person identified in the Initial Application with decision-making authority for the Applicant, Developer or the Project Owner, with whom Housing New Mexico will correspond concerning the Application and for the Project.

Contractor's Cost Certification – a certification prepared and executed by the general contractor, indicating all identities of interest and certifying that all Construction Costs included are related to the Project.

Control (including the terms Controlling, Controls, Controlled by, under common Control with, or some variation or combination of all three) - means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person or Affiliate thereof, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than fifty percent (50%) of the General Partner interest in a limited partnership, or designation as General Partner/managing member of a limited liability company.

Cost Certification – A certification prepared by a CPA on forms provided by Housing New Mexico, indicating the method of certification, all identities of interest and certification that all Project costs included are related to the Project.

Credit Period – with respect to any building that is included in the LIHTC Project, the period of 10 years beginning with 1) the taxable year in which the building is Placed In Service or 2) at the election of the Project Owner, the succeeding taxable year.

Developer – any individual, association, corporation, joint venture or partnership, which is to manage all aspects of the construction and/or rehabilitation of the proposed Project.

Development Costs – the sum total of all costs incurred in the development of a Project, all of which shall be subject to approval and are approved by Housing New Mexico as reasonable and necessary. Such costs may include, but are not limited to:

1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties.
2. The cost of site preparation and development.
3. Any expenses relating to the issuance of tax-exempt bonds or taxable bonds by the Agency, if any, related to the Project.
4. Fees in connection with the planning, execution and financing of the Project, such as those of architects, engineers, attorneys, accountants and the Agency.
5. The cost of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs and other operating and carrying costs incurred during construction, rehabilitation or reconstruction of the Project.
6. The cost of the construction, rehabilitation and equipping of the Project.

7. The cost of land improvements, such as landscaping and off-site improvements related to the Project, whether such costs are paid in cash, property or services.
8. Expenses in connection with initial occupancy of the Project.
9. Allowances established by the Agency for working capital, contingency reserves and reserves for any anticipated operating deficits during the first two years after completion of the Project.
10. The cost of such other items, including relocation cost, indemnity and surety bonds, premium on insurance and fee and expenses of trustees, depositories and paying agents for bonds.

Difficult Development Area or DDA – any area designated by the secretary of HUD as having high construction, land and utility costs relative to Area Median Income in accordance with Section 42(d)(5) of the Code.

Eligible Application or **Eligible Project** – an Application or Project which has met all minimum Project threshold requirements.

Eligible Basis – the sum of the eligible cost elements that are subject to depreciation, such as expenditures for new construction, rehabilitation and building acquisition.

Entity - any General Partnership, limited partnership, corporation, joint venture, trust, limited liability company, limited liability partnership, limited liability limited partnership, business trust, cooperative or other business association.

Extended Use Period – with respect to any building that is included in a LIHTC Project, the period of affordability **following** the initial 15-year Compliance Period during which time the Project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period.

Feasibility Analysis – a financial analysis based on rules established by the IRS and Housing New Mexico to determine a Project's financial feasibility, which is completed to ascertain a tax credit amount, the adequacy of financing sources, and the income required to support operation of the Project.

Federal Grant – any federal grant except those specifically excluded in Section 1.42-16(b) of the Treasury regulations.

Federal Subsidy – any construction or permanent financing that is directly or indirectly financed from state or local bonds, including municipal bonds, which are tax-exempt for federal income tax purposes.

Federally-assisted Building – any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the rural housing service of the Department of Agriculture.

Final Allocation – a determination by Housing New Mexico that a Project is complete and that a certain amount of tax credits is warranted. The Final Allocation must be requested by the Project Owner and culminates in delivery of IRS Form 8609 by Housing New Mexico.

Financing Commitment – a commitment for permanent or construction financing which 1) is not subject to further approval by any loan committee or board of directors or other Entity of the creditor making the commitment and 2) contains specific terms of funding and repayment.

General Partner – that partner or collective of partners identified as the General Partner of the partnership that is the Project Owner and that has general liability for the partnership. If the Project Owner is a limited liability company, the term General Partner shall mean the managing member or members with management responsibility for the limited liability company.

Government Entity or **Instrumentality** – any agency or other government created Entity of the state of New Mexico, the counties or municipalities of New Mexico or the tribal governments of New Mexican tribes and pueblos.

Gross Square Feet – the area that includes all enclosed space as measured from the exterior face of the building walls and means everything under the roof, including storage and patios. Covered parking and structured parking should not be included in Gross Square Feet.

Hard Construction Costs - calculated as the sum of costs for existing structures, site work, rehab and/or new construction, and hard cost contingency, as related to the housing components of the development only. This figure excludes land costs. The costs considered for calculating these points will not include any costs related to commercial or retail space. (All costs reflected on Schedule D in the Application.)

Historic Property – a building or buildings certified on the National Register of Historic Places (i.e., meet the criteria for Part 1 Approval for Historic Tax Credits.

HERS (Home Energy Rating System) – a score that measures a home's energy efficiency using the HERS Index, where a lower score indicates higher energy efficiency. Developed

by RESNET (Residential Energy Services Network), the HERS score is determined by a certified rater through energy modeling and on-site testing.

Households or individuals experiencing homelessness - A household or individual is considered homeless if they:

1. lack a fixed, regular, and adequate nighttime residence, which includes a primary nighttime residence of places not designed for or ordinarily used as a regular sleeping accommodation (including cars, parks, abandoned buildings, etc.) or publicly or privately operated shelters or transitional housing, including a hotel or motel paid for by government or charitable organizations; or
2. are being discharged from an institution where they've been a resident for 90 days or less and the Person resided in a shelter (but not transitional housing) or place not meant for human habitation immediately prior to entering that institution; or
3. are being evicted from their primary nighttime residence within 14 days and no subsequent residence has been identified and the individual/household lacks the resources and support networks (i.e., family, friends, faith-based or other social networks) needed to obtain housing; or
4. have ALL of these characteristics:
    - unaccompanied youth (less than 25 years of age) or family with children and youth;
    - defined as homeless under other federal statutes who do not otherwise qualify under this definition;
    - has not had a lease, ownership interest, or occupancy agreement in permanent housing for 60 days prior to applying for occupancy;
    - has moved two or more times in the 60 days immediately prior to applying for occupancy; AND
    - has one or more of the following: a) chronic disabilities, b) chronic physical or mental health conditions, c) substance addiction, d) histories of domestic violence or childhood abuse, e) child with a disability, f) or two or more barriers to employment, which include i) lack of a high school diploma or GED, ii) illiteracy, iii) low English proficiency, iv) history of incarceration or detention for criminal activity, or v) history of unstable employment.
5. are fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening situations related to violence; have no other residence; and lack the resources and support networks needed to obtain housing.

Households with Children – households that include one or more Persons under the age of 18 years.

Households with Special Housing Needs – households in which an individual or household member is in need of supportive services, tenancy supports and housing and meets at least one of the following definitions:

1. Has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and developmental disability that substantially limits one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.
2. Households or individuals experiencing homelessness (see definition above).

HUD – U.S. Department of Housing and Urban Development.

Identity of Interest – occurs when any officer, director, board member or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.): 1) is also an officer, director, board member or authorized agent of any other development team member; 2) has any financial interest in any other development team member's firm or corporation; 3) is a business partner of an officer, director, board member or authorized agent of any other development team member; 4) has a family relationship through blood, marriage or adoption with an officer, director, board member or authorized agent of any other development team member or 5) advances any funds or items of value to the sponsor/borrower.

Initial Application – the Application first provided to Housing New Mexico on or before an Application Deadline to request an allocation of tax credits.

Land Use Restriction Agreement or **LURA** – the agreement submitted to the Agency restricting the property to affordable housing use during the Compliance Period and Extended Use Period.

Letter of Determination – the letter issued by Housing New Mexico pursuant to Section 42(m)(1)(D) of the Code advising the Project Owner that Housing New Mexico has made the determination that a tax-exempt bond financed Project, as described in the Application submitted at a particular point in time, satisfies the requirements for an allocation of tax credits under the QAP conditioned upon Project compliance with the Code. A draft Letter of Determination is valid for three months from the date it is issued. Any changes to the submitted materials or information will also render a determination to be invalid. In such cases, updated materials must be reviewed by Housing New Mexico before a new determination letter can be issued.

LIHTC Project – the proposed or existing rental housing development(s) for which tax credits have been applied for or received.

Local Government – any county, municipality, tribe or other general-purpose political subdivision in the state of New Mexico.

Local Notice – Housing New Mexico's letter to the chief executive office (or the equivalent) of the local jurisdiction within which the Project is located, which provides a 30-day period to comment on the Project pursuant to Code Section 42(m)(1)(A)(ii).

Low Income Housing Tax Credit (LIHTC) Program or **Tax Credit Program** – the rental housing program administered by Housing New Mexico pursuant to the Code and by the state of New Mexico Executive Order 97-01.

Low-Income Tenants – households that occupy Set-Aside Units.

Low-Income Units or **Set-Aside Units** – Units which are rent restricted and set-aside for tenants whose income does not exceed 50%, 60% or some lower percentage, whichever is elected, of Area Median Income.

Management Units -

Employee/Exempt Unit

The general-public-use requirement of § 1.42-9 does not apply in the case of Units for resident managers, maintenance personnel or courtesy officers (Exempt Units) in a qualified low- income building because the Units are not residential rental Units but facilities reasonably required for the Project. Because the presence of an employee Unit must be necessary for Project operations, the IRS may examine whether an employee who resides in an employee/exempt Unit serves primarily the property where they live by working full time at the property. The necessity of the employee Unit may be called into question if the employee's responsibilities are split among more than one property or even if the employee holds a second job.

Based upon the above facts and representations, the IRS has ruled as follows: The adjusted basis of the Unit occupied by resident managers, maintenance personnel or courtesy officers is included in the eligible basis of the building under Section 42(d)(1), but the Unit is excluded from the Applicable Fraction of the building under Section 42(c)(1)(B). Further, the inclusion of the adjusted basis of the Unit occupied by resident managers, maintenance personnel or courtesy officers in eligible basis will not be affected by a later conversion of that Unit into a residential rental Unit.

Additionally, the Internal Revenue Service (IRS) released a program manager technical assistance (PMTA) memo dated June 2, 2014 (PMTA 2014-22), which clarified the IRS

position regarding charging for exempt Units. In the memo, the IRS states, “Charging resident managers or maintenance personnel rents, utilities, or both for Units in a qualified low-income building does not make the Units residential rental Units and not facilities reasonably required for the Project under §1.103-8(b)(4)(iii).”

Market Rate Units – residential rental Units that are not Low-Income Units.

Material Compliance Matter– any compliance issue identified by Housing New Mexico (for any of its programs) during a monitoring visit that remains open six months after the monitoring letter was sent.

Material Design Changes – any change in the Project, its scope or its quality which would affect its underwriting or compliance with Housing New Mexico’s mandatory Design Standards. For example, a change in building area, Unit areas, Unit counts, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification would each constitute a material change.

Moderate Rehabilitation – repairs, replacements and improvements that do not fall into Substantial Rehabilitation as defined herein or where the work is limited to level two (2) alterations (as described by Enterprise Green Communities Criteria.) Level two alterations include the reconfiguration of space, the addition or elimination of any door or window, the reconfiguration or extension of any system, does not include the replacement of two or more major systems or the installation of any additional equipment. A Project where the work area does not exceed 50% of the aggregate area of the building (the work scope is less than an ICC level three alteration.)

Net Square Footage - the total number of square feet within the inside finished wall surface of the outer walls of a structure. This measurement generally excludes non-rentable areas such as common areas, hallways, and mechanical rooms.

New Mexico Housing Authority (NMHA) – any public housing authority legally established in the state of New Mexico.

Person - any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits; and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter and vice versa, as the context within this QAP may call for.

Placed In Service – the date on which the first Unit of a new construction Project is certified or otherwise officially declared as available for occupancy as evidenced by the Certificate of Occupancy. For rehabilitation Projects, it is the date of the Certificate of

Substantial Completion. For acquisitions of existing Projects, it is the date of purchase by a new Project Owner.

Principal – an Applicant, any General Partner of an Applicant, and any officer, director, board member or any shareholder, General Partner, managing member or Affiliate of an Applicant. It also includes any Entity receiving any part of a Developer fee for a Project. For Project compliance purposes (**Section IV.E**), Principal would include shareholders with interests of 25% or more, all officers of a corporation (including employees, but excluding volunteer board members with no financial interest), all General Partners or members.

Project – the development proposed by the Applicant as specifically described in the Application.

Project Owner – the legal Entity that ultimately owns the Project and to which tax credits will be allocated.

Project Selection Criteria – the criteria used to score a Project for tax credit allocation purposes.

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October 16, 2024 and made effective as of December 1, 2024, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

Qualified Basis – the portion or percentage of the Eligible Basis that qualifies for the tax credit. It is calculated by multiplying the Eligible Basis by the Applicable Fraction.

Qualified Census Tract or QCT – any census tract which is designated by the Secretary of HUD as having 50% or more of the households at an income level which is less than 60% of the Area Median Income in accordance with Section 42(d)(5) of the Code.

Qualified Leasehold Interest – a leasehold interest running at least as long as the Extended Use Period.

Qualified Nonprofit Organization – an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the

Project throughout the Compliance Period and may not be affiliated with or Controlled by a for-profit organization.

Rent Comparability Study – a report prepared by a qualified third-party that estimates "market" rents for properties undergoing rehabilitation based on the guidance provided in Chapter 9 of HUD's Section 8 Renewal Guide.

Rent Restricted Unit – with respect to a LIHTC Project, a Unit for which the gross rent does not exceed 30% of the imputed Area Median Income limitation applicable to such Unit as chosen by the Applicant in the Application and in accordance with the Code. Gross rent must be determined from the rent charts included in the Application Package and must correspond to the percentage of Area Median Income selected by the Applicant in the Application. It includes the cost of utilities and must be reduced by the amount of tenant-paid utilities. Gross rent includes all income for the Unit, including tenant and any subsidy payments. See also "Unit."

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Section 811 Project-based Rental Assistance Demonstration Program (Section 811 PRA) – The purpose of the Section 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. Section 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved contract rent. Tenants pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS) and Local Lead Agencies (LLAs). For more information go to: https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance

Senior Housing – Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be: (i) provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly Persons (as defined in the state or federal program); or (ii) intended for, and solely occupied by Persons 62 years of age or older; or (iii) intended and operated for occupancy by Persons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

Set-Aside Election – the federally imposed minimum proportion of total Project Units set-aside as Low-Income Units at one or more Area Gross Median Income level(s). This

election is made by the Applicant and meets the minimum requirements of Code Section 42: larger proportions of Units are generally set-aside by the Applicant and restricted in the LURA.

Set-Aside Units those Units eligible for Low-Income housing tax credits.

Special Needs – see definition above under Households with Special Housing Needs.

State-Assisted Building – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

Substantial Rehabilitation – commonly referred to as a "gut" rehabilitation and includes the replacement and/or improvements to at least two (2) major systems of the building, including its envelope. Major building systems include roof structures, wall or floor structures, foundations, plumbing, heating, ventilating and air conditioning (HVAC) and electrical systems. The building envelope is defined as the air barrier and thermal barrier separating exterior from interior space. A Substantial Rehabilitation also includes a Project where the work area exceeds 50% of the aggregate building area (an ICC level 3 alteration Scope of Work.)

Tax Credit Ceiling Rents – the maximum rent that may be charged for a Rent Restricted Unit.

Tenant Conversion Plan – a written plan acceptable to Housing New Mexico, describing the method to be used to enable tenants to acquire ownership of their Units at such time as conversion to owner occupancy is allowed under the Code. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the Unit will be converted from a rental Unit to homeownership.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For the purposes of calculating Developer fees, Total Development Cost will be adjusted to exclude Developer fees (which includes consultant fees), commercial space Construction Costs and all reserves. For purposes of calculating cost limits, the purchase price attributed to the land, any costs related to commercial space, reserves (not eligible for tax credits), and costs of bond issuance on line 65 of Schedule A will be excluded.

Unit – a residential rental housing Unit in a Project including manager and employee Units.

Universal Design – any component of a house or apartment that increases the usability for people of all ages, size and abilities and enhances the ability of all residents to live independently for as long as possible.

Urban Area – A location within the boundaries of Bernalillo County, the City of Rio Rancho, the City of Las Cruces, or the City of Santa Fe.

X. List of Appendices

The following appendices are incorporated by reference into this Qualified Allocation Plan:

A. List of Board Members
B. Post-Award Processes and Requirements Handbook
C. 2027 Housing New Mexico Universal Multifamily Underwriting Supplement
D. 2027 Housing New Mexico Design Standards
E. 2027 Housing New Mexico Design Standards – Supplement A – NHTF Requirements
F. 2027 4% LIHTC Universal Rental Development Application Form and Schedules
G. NCHMA Model Content Standards
H. RESERVED
I. 2027 Placed In Service and Final Allocation Instructions & Checklist
    a. Schedule M Addendum to Application
    b. Form A Instructions
    c. Form A – Final Certification of Uses
    d. Form B – Independent Accountant's Report
    e. Form C1 – Owner's Cost Certification
    f. Form C2 – General Contractor's Cost Certification
    g. Housing New Mexico form of Attorney Opinion
    h. Form 8609 Certification
    i. As-Built Architect Certification
    j. Lender's Consent and Agreement to Recording of and Subordination to Land Use Restriction Agreement
    k. Project Ownership Profile
    l. Sample LIHTC LURA
    m. Sample Equity Certification Letter
J. Low-Income Housing Tax Credit Compliance Plan and Appendices, December 2021 as may be amended
K. Annual Owners Certification of Continuing Program Compliance, as may be amended