

Universal Multifamily Underwriting Supplement

State of New Mexico
Housing Development Programs

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

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EQUAL HOUSING OPPORTUNITY

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I. Introduction

This underwriting supplement ("Underwriting Supplement") outlines the standards that Housing New Mexico will use when underwriting Applications submitted for consideration for 2027 LIHTC and gap funding allocations. Housing New Mexico underwrites Applications for two purposes: 1) to determine the amount of credits that may be allocated to each proposed Project and 2) to determine the financial feasibility of each proposed Project. Housing New Mexico will use the most conservative of the financing terms listed in this underwriting supplement, the 2027 QAP (if applicable) and the proposed Project's Financing Commitment(s) or letters of interest.

Capitalized terms in this document are defined in the 2027 QAP Glossary. References to schedules refer to the schedules in part II of the Application.

II. General

A. Awards

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

B. Feasibility Analysis and Financial Considerations

In addition to the threshold review process described in the applicable 2027 QAP, all Projects 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 Low Income Housing Tax Credit (LIHTC) Projects will be evaluated at the following times to determine the amount of applicable tax credits:

- Upon receipt of an Application for LIHTC; and
- Prior to granting a tax credit allocation; and
- No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

All financing sources must be clearly identified in the Initial Application, and their terms specified in a letter of interest from the financing source. Initial Applications for any tax credits (4 or 9%) must include a letter of interest from a tax credit syndicator or direct investor stating the terms

and pricing for the purchase of tax credits allocated to the Project. Final Financing Commitments will be required as a "subsequent requirement" after the initial award is made.

In addition, all Projects will be underwritten using the more conservative of the standards indicated in this Underwriting Supplement, the terms listed in any Financing Commitment or letter of interest, or the Project's market study.

C. Minimum Apartment Unit Set-Asides

In order for a Project to qualify for tax credits, the Project Owner must make an irrevocable minimum Set-aside Election under Code Section 42(g)(1). Housing New Mexico further restricts the election under Code Section 42(g)(1)(C) (Average Income or "AI") as follows:

1. Income and rent limits must be in ten percent increments, and may include 20% AMI (Area Median Income), 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.
2. If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met.
3. The average of the imputed income limitations designated cannot exceed 60% AMI.
4. Those Projects electing AI must include at least 5% of their Units above 60% AMI.
5. All Units must be designated with a specific AMI percentage at the time of Application.
6. Unit designations may float but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period. Average Income applies to rent and income limits. If a Unit has a designated limit of 80% AMI, the maximum rent that can be charged to a household for that Unit is 30% of 80% of AMI. Similarly, if a Unit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.
7. Skewing of Unit designations is not permitted. Project Owners must disperse unit types across chosen rent/income limits in a way that does not violate Fair Housing. Housing New Mexico will require reasonable parity between different bedrooms sizes at each income band utilized on the Project.
8. The market study must demonstrate sufficient need at each income level chosen.
9. Project Owners of Projects with more than one building must elect to treat all of them as part of a multiple building project (checking "Yes" on line 8b of the 8609 form).
10. AI Projects may be subject to an increased Compliance Monitoring fee.

11. Housing New Mexico shall only accept an Application that chooses the AI election if all Units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, Housing New Mexico will not accept an Application that chooses the AI election if the Project includes unrestricted Market Rate Units.

12. An Application for an AI Project must include within its equity and debt commitment letters confirmation of the utilization and approval of the AI election.

13. Projects that receive an allocation of 4% LIHTC in conjunction with the issuance of tax-exempt bonds must meet the set-aside requirements of both Section 42 and Section 142 of the IRS Code

The IRS makes the ultimate determination regarding whether or not the Project is in compliance with this and/or any other election made by the Project Owner. Acceptance by Housing New Mexico does not guarantee acceptance by the IRS. Project Owners should consult with their legal counsel. These requirements are subject to change in the event the IRS issues further guidance on the AI election.

D. Unit Distributions

For Projects with more than one income and rent tier, all Unit types must be distributed proportionately among each of the multiple tiers. That is, if 30% of the Units are to be set-aside for tenants earning no more than 50% of median income, then the Units used for this income group must include 30% of all one-bedroom Units, 30% of all two-bedroom Units, etc. This also applies to Market Rate Units in the Project. This is intended to prevent allocation of all of the high rent Units to the higher income groups, thereby maximizing income while potentially violating the intent of fair housing law.

E. General Public Use – Management Units

Housing New Mexico-approved Management Units set-aside for Project employees (i.e., property managers, maintenance staff, etc.) are not considered residential Units, even if rent is collected on the Unit, but as facilities "reasonably required" for the Project not included in the Applicable Fraction as low-income residential space. Before excluding them from the Applicable Fraction, Management Units must be approved by the Housing New Mexico Asset Management Department. **This approval may only be requested after the Project has been Placed In Service. Applicants may include an intent to request Management Units in the Project Narrative submitted in the Initial Application but should include those Units as 60% AMI Units (either revenue or non-revenue producing) in the Application because they are not yet approved as Management Units.**

F. Subsidy Layering Review

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that Projects receiving tax credits and federal, state or local assistance do not obtain subsidies in excess of that which is necessary to produce affordable housing. Requests for subsidy layering reviews may be made to the HUD Field Office with a copy of the review provided to Housing New Mexico.

An essential component of this review is an analysis of the reasonableness of fees paid to sponsors, Project Owners, Developers and builders. Consequently, for purposes of Section 911 reviews, fees used to calculate tax credit amounts will not exceed the limits stated in Section IV.B.6 of this Underwriting Supplement regarding Developer Fees. Some of these maximum fees allowed by Housing New Mexico may exceed the "safe harbor" fee amounts that apply to Section 911 reviews. Special factors that justify these published higher fees (which do exceed "ceiling" amounts) include but are not limited to: the relatively high cost of construction and land within the state of New Mexico; the lack of state- or locally-funded soft second financing or operating subsidies; and the general inability of Local Governments to donate land and/or other services to worthy Projects due to the state's "anti-donation" clause. Housing New Mexico will perform an internal Subsidy Layering Review only if required by a Housing New Mexico funding source.

Housing New Mexico may include or consider other criteria to justify exceeding safe harbor limits for fees associated with Projects requiring subsidy layering reviews. Housing New Mexico also may limit Projects to safe harbor limitations for any reason that, in its sole discretion, deems reasonable.

III. Construction Criteria

A. Development Costs

Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required and used by Housing New Mexico to evaluate Development Costs.

Applicants submitting costs atypical in the marketplace must provide information acceptable to Housing New Mexico, justifying such costs. Projects with excessive costs will be subject to adjustments to the amount of tax credits and/or gap financing requested. Housing New Mexico, in the course and scope of its underwriting, will examine how costs are categorized /allocated in Schedules A and D. Housing New Mexico may re-categorize/allocate costs to different categories should Housing New Mexico determine, in its sole discretion, that costs have been

categorized incorrectly. Applicants shall describe all costs contained in any category labelled "other" with sufficient specificity so that it is clear what these costs encompass.

If the Project is a mixed-use development with commercial and/or market rate residential uses, all costs of each use must be shown and broken out on Schedule A (Development Budget). This level of detail assists Housing New Mexico to understand the entire Project and to determine whether the Project is within the Cost Limits described below.

1. Acquisition Cost Limits

The acquisition cost on which tax credits are calculated will be held to the lowest among the purchase price, the Applicant's procured appraisal and the construction lender's appraisal. If the acquisition is bridged for less than five years before selling the real estate to the Project Owner, the purchase price used to determine the acquisition cost limit will be the lesser of the amount paid at the time of the bridge financing, the Applicant's procured appraisal and the construction lender's appraisal. An appraisal is due with the Initial Application for tax exempt bond financed projects and with the Carryover Application for 9% Projects not claiming points under the Leveraging Resources scoring criterion.

2. Total Development Cost Limits

Total Development Costs for various types of Projects may not exceed the following:

a. New construction and Adaptive Reuse Projects. The Total Development Cost per Unit must not exceed 120% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 120% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.

b. Acquisition/rehabilitation Projects. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.

c. Tax-exempt bond financed Projects. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round. Variances from these limits will be considered on a case-by-case basis.

d. Combined Rehabilitation and New construction Projects. For Projects that involve rehabilitation of existing Units, the construction of new Units and/or the Adaptive reuse of an existing building, the costs will be evaluated based on the track/category selected by the project as described in Section I.D.2 of the 9% QAP and the limits established in Sections III.A.2.a. and b. of this Underwriting Supplement above.

Any Project with extenuating circumstances around the hard construction in their Project may submit additional material justifying those costs and requesting a waiver from that limit either in the initial Application, or through the supplemental information process, during the underwriting review. Waivers may be granted at Housing New Mexico's sole discretion.

Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used.

Costs that exceed the limits in this section will be excluded when calculating the tax credit amount. These limits are binding through Final Allocation.

B. Builder profit, overhead and general requirements

In Projects where an Identity of Interest is not present, builder profit may not exceed 6 percent of Construction Costs, builder overhead may not exceed 2 percent of Construction Costs and general requirements may not exceed 6 percent of Construction Costs.

Where an Identity of Interest exists between or among the Developer/Project Owner, and/or builder (i.e., the general contractor and/or subcontractors), builder profit shall not exceed 4 percent of Construction Costs. An Identity of Interest will be presumed if any of the following factors are present as between or among the Developer/Project Owner, and/or builder (general contractor and/or subcontractors); common or shared ownership of any of the above-listed entities; common family members as owners or investors in any of the above-listed entities; common Control of the above-listed entities even if the Control is not exercised by a common owner or common investor.

For LIHTC purposes, any amount of fee that exceeds the combined percentage limitations will be excluded from the Project's Eligible Basis when calculating the tax credit allocation.

C. Architecture and Engineering Fees

Architecture and Engineering Fees are capped at 3.3 percent of Total Development Cost. Architecture and Engineering fees are deducted from Total Development Cost when calculating this fee cap.

For LIHTC purposes, this 3.3 percent of Total Development Cost fee limit is a soft cap and any amounts in excess of this cap will not be included in Eligible Basis. Exceptions to the above rules governing Architect and Engineering fees may be granted based on site or Project specifics and in Housing New Mexico's sole discretion. Supporting documentation shall be provided to justify any increase in request. Although the same standards will apply for Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year. See Section II.F of this Underwriting Supplement for information on subsidy layering reviews.

Refer to Total Development Cost Limits in Section III.A.2 above for limits per square foot for Architectural and Engineering fees plus hard development costs.

Increases in Project costs subsequent to the Application Deadline may not result in an increase in any of the fees calculated above for tax credit allocation purposes. Any changes in the amount of fees through the course of development will require prior approval of Housing New Mexico and must be justified by a change in scope of the Project. Any change in the scope of the Project that results in increased fees for which an exception is being requested constitutes a change to that Project.

D. Construction Contingency

New construction costs will be underwritten to include a minimum construction contingency of 5% of hard construction costs. Adaptive Reuse and rehabilitation construction costs will be underwritten to include a minimum construction contingency of 10%. For this purpose, hard construction costs are defined as the amount listed in Schedule D "VII. Total Construction Costs". Note that Contractor Overhead & Profit, General Requirements, and gross receipts tax (GRT) tax are not included when calculating the construction contingency.

IV. Mortgagor Criteria

A. LIHTC Sources

1. Credit Pricing

Housing New Mexico will not use a single credit pricing factor for 2027 Initial Applications. Housing New Mexico underwrites the Project using the factor contained in the letter of interest (LOI) from the proposed credit syndicator or investor based on market conditions.

2. Investor Letters of Interest

The Project Owner must deliver a written letter of intent (LOI) from a syndicator or equity provider that clearly states the equity pricing factor. In addition to stating a credit pricing factor, investor letters of interest must include standard underwriting terms such as minimum DSCR, minimum reserve requirements, income and expense inflation factors, investor fees, equity pay-in schedule, and anticipated debt service for Housing New Mexico loans.

B. Credit Calculation Method

a. **Tax credit calculations**: During each evaluation, Housing New Mexico will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:

i. Development Costs
ii. Funding sources available to the Project for construction and permanent financing:
- First mortgage loans
- Grants
- Tax credit proceeds
- Project Owner equity
- Subordinate debt

iii. Projected operating income and expenses, cash flow and tax benefits
iv. Maximum tax credit eligibility
v. Debt service coverage ratio
vi. Project reserves
vii. Developer fees and builder overhead and profit
viii. Per Unit and per square footage cost limits (Section III.A.2)

b. **Amount of tax credits for Reservation or Carryover Allocation:** To estimate the amount of tax credit allocation for a Project at Initial Application or at Carryover, Housing New Mexico will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by Housing New Mexico, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in Section IV.A.3.d.ii below.

c. **Tax Credit Proceeds:** The Applicable Credit Percentage will be used along with the equity-pricing factor to estimate the tax credit proceeds. Any ownership split other than 99.99% (Limited Partner) and 0.01% (General Partner) requires written Housing New Mexico approval ahead of application submission, which approval shall be given in Housing New Mexico's sole discretion. The equity-pricing factor in the LOI described above in Section IV.A.2, along with the Applicable Credit Percentage, will be

used to estimate the tax credit proceeds until the actual equity-pricing factor contained in the Project's syndication agreement at equity closing is available.

d. **Other factors limiting the credit Reservation.** The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:

i. The maximum tax credit eligibility of the Project
- Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by Housing New Mexico and taking into consideration any increase in Eligible Basis approved by Housing New Mexico and the Applicable Credit Percentage; or
- The amount requested in the Application; or
- The amount necessary to fill the funding gap.

ii. The funding gap is the difference between Total Development Cost (exclusive of syndication-related costs) and all available funding sources, including Housing New Mexico financing awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms, and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum 9% tax credit amount allowed based on the funding gap will be determined by Housing New Mexico limits stated in the 9% QAP Section II.B.

e. **Adjustments to credit allocations:** When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover for rehabilitation Projects when the CNA and appraisal are provided. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, Housing New Mexico may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in Housing New Mexico's reasonable judgment, the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by Housing New Mexico on a case-by-case basis.

C. Non-LIHTC Sources

1. First Mortgage:

First mortgage permanent must-pay debt: At the initial application, all sources of first mortgage permanent must pay debt, excluding Housing New Mexico financing, will be underwritten using the interest rate contained in the LOI from the proposed financing source plus a 50-basis point contingency factor, which shall not cause the all-in rate to exceed the Conservative Interest Rate

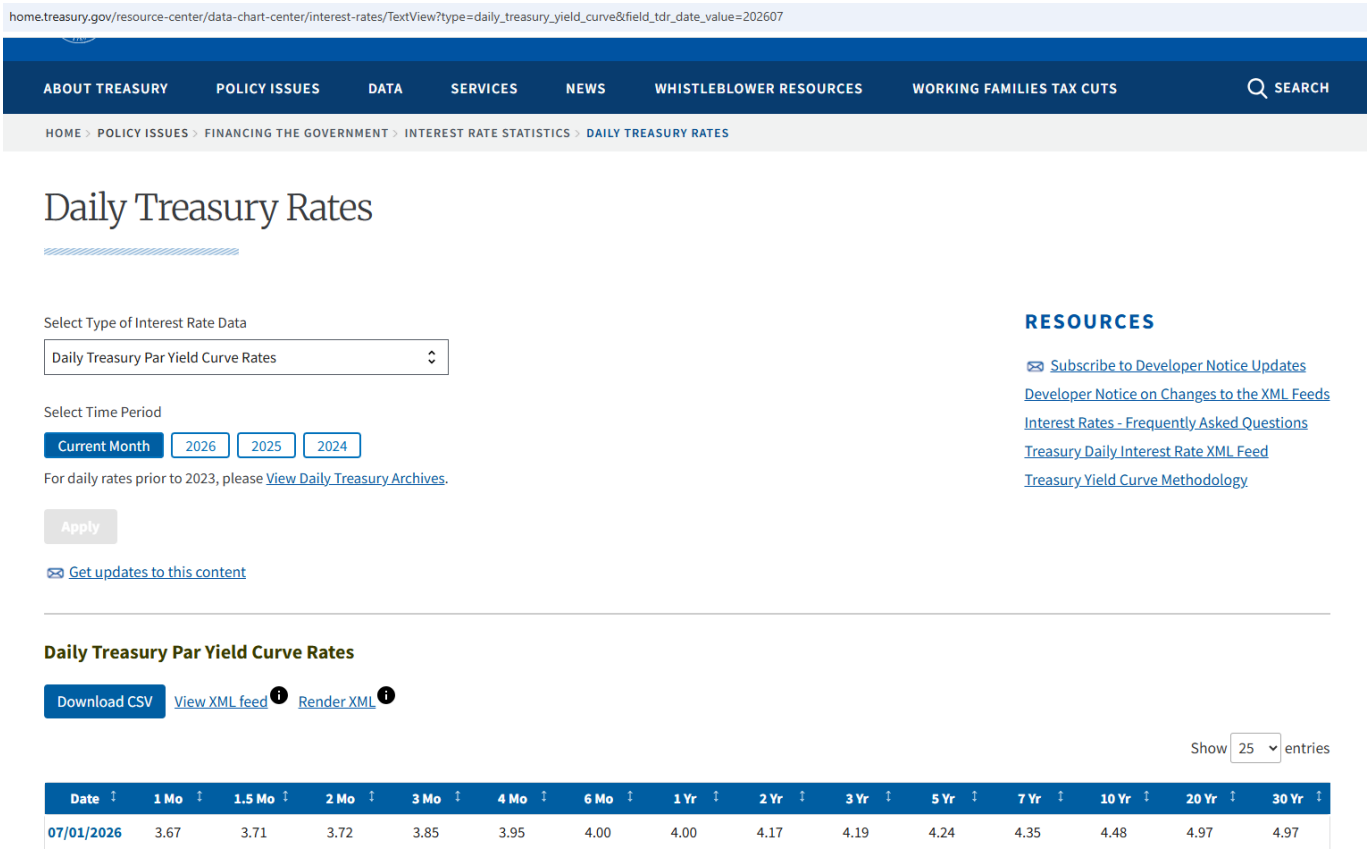
defined in this section. Housing New Mexico may also add a 50-basis point contingency factor at subsequent underwritings based on market trends at that time.

All sources of financing identified on Schedule A-1 must have a Letter of Interest that includes all terms and conditions of the financing.

The Conservative Interest Rate is defined as the 20-Year Constant Maturity Treasury (Daily Treasury Yield Curve) plus 4%. The date of the 20-Year Constant Maturity Treasury (Daily Treasury Yield Curve) is the later of: 1) 60 calendar days prior to the 9% Application Deadline or 2) 60-days prior to the date the 4% LIHTC Initial Application is submitted to Housing New Mexico. The 20-Year Constant Maturity Treasury may be found at the following URL:

https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=202607

For example:
The 20-Year Constant Maturity date as of July 1, 2026 was 4.97%.



The Conservative Interest Rate would be 8.97% (4.97% on July 1, 2026 + 4%).

2. Housing New Mexico 542(c) Risk Sharing, other HUD MAP loans, and USDA RD

During underwriting, Housing New Mexico will add a 50-basis point contingency factor, which shall not cause the interest rate to exceed the Conservative Interest Rate defined above, to the calculation of any Housing New Mexico HUD 542 (c) Risk Sharing Program loan, as the formula for such rate is based, in part, on a floating index. Housing New Mexico will underwrite to a maximum 30-year amortization for bank loans, or the amortization in the LOI up to 40 years. Federal financing provided by USDA Rural Development, HUD MAP Lenders or Housing New Mexico 542(c) Risk Sharing loans will be underwritten to a maximum of 40-year amortization for new construction or 35 years for rehabilitation unless otherwise stated in an LOI.

HUD 542 (c) Risk Sharing Program loan interest rates are based on the following calculation:

10 Year Treasury rate + current HUD-approved total MIP + 25 bps Housing New Mexico servicing fee + 2.00

The current HUD-approved total MIP is 0.25 as of April 1, 2016. As noted above, for underwriting purposes a 50-basis point contingency factor will be added, which shall not cause the all-in rate to exceed the Conservative Interest Rate defined above.

24-month rate locks are also available at an additional 1% fee to the borrower. Payments are interest-only during construction, and amortization occurs over the remaining life of the loan beginning at conversion.

3. Assumed Debt (Rehabilitation Projects)

Any assumed debt must be reflected in Schedule A-1 and Schedule C-1 (cash flow). Any debt to be paid off must be reflected as a use in Schedule A-1. If the debt is in the form of outstanding bonded indebtedness, explain whether bonds are redeemable, callable, and/or refundable. Housing New Mexico may require a legal opinion in the case of redeemable bond debt.

4. Subordinate Permanent Must-Pay Debt:

All sources of subordinate permanent must-pay debt, excluding pending Housing New Mexico financing, must be supported by a Letter of Intent, or other commitment, or Housing New Mexico will not underwrite that source. Housing New Mexico NM Housing Trust Fund loans may be underwritten at 3% interest and up to a 40-year amortization. Housing New Mexico HOME loans will be underwritten per the 2027 HOME/LIHTC terms (provided below) (i.e., as necessary for financing gap) but not to exceed 3% interest and 80-year amortization maturing in 40 years. Both sources may be used during construction for up to two additional years. HOME funds provided by

the cities of Albuquerque or Las Cruces will be underwritten to terms provided by those jurisdictions.

5. Soft Debt and Grants:

Housing New Mexico will not underwrite non-Housing New Mexico soft debt (such as forgivable or cash-flow loans) or grants not yet committed or awarded at time of initial application. Examples include Federal Home Loan Bank (FHLB) grants that have not yet been awarded.

If applying for Housing New Mexico or Ventana Fund loans, please reference the individual loan underwriting requirements on Housing New Mexico's website to ensure compliance.

6. Developer fees

Developer fees for 9% LIHTC projects shall not exceed: 1) $25,000 per low-income unit for the first 30 units, plus 2) $22,500 per low-income unit for units 31 – 60, plus 3) $20,000 per low-income unit for Units 61+, which shall not cause the total Developer Fee to exceed the lesser of $2,500,000 or 14% of Total Development Cost. Developer Fee for 4% LIHTC Projects shall not exceed 14% of Total Development Cost. 9% Projects utilizing Housing New Mexico-issued Section 811 Project Rental Assistance (Section 811 PRA) are eligible for a 5% boost to the capped developer fee as calculated above.

Donations of land and waived fees are excluded from Total Development Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding any Housing New Mexico-required Project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For the purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves.

Notwithstanding the Developer Fee amounts described in the first paragraph of this section, where an Identity of Interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if Housing New Mexico, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an Identity of Interest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an Identity of Interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs unless the seller's Identity of Interest is solely due to short-term bridge financing to complete a sale from a non-related arm's length third party to acquire the property in order to prepare it for resyndication and rehabilitation. Also, an "as-is" appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place.

Housing New Mexico will generally not consider the repayment of deferred developer fees when underwriting for feasibility but removes any deferred fee that can't be repaid during the Compliance Period from Eligible Basis and may consider a Project infeasible if the deferred fee represents a financial burden to the Project.

The maximum developer fee is locked in at Initial Application for 9% Projects and is locked in at 8609 issuance for 4% Projects.

Permanent Supportive Housing for Households or Individuals Experiencing Homelessness

Projects targeting Households or Individuals Experiencing Homelessness (see Glossary) that also qualify as Permanent Supportive Housing for purposes of the Underserved Populations Set-Aside in the 9% LIHTC QAP are eligible for a 5% boost to the capped developer fee, as calculated for 9% LIHTC Projects in the first paragraph of Section IV.B.6 above.

The eligibility for the 5% boost is limited to those Permanent Supportive Housing Projects that will serve Households or Individuals Experiencing Homelessness and that will place the entire developer fee boost into a capitalized 15-year supportive services reserve. Evidence of the commitment must be provided with the Application, and such commitments will be reflected in the LURA. A minimum of 15 percent of the total Units in the Project must be restricted to households with incomes at or below 30% AMI. For those Projects subject to a HUD subsidy layering review, this change is subject to HUD's approval.

7. Acquisition/Rehabilitation Developer Fee Split

The amount of developer fee included in 30-percent basis will be proportional to acquisition cost (not including land) divided by total development cost (TDC). If the project just has land as acquisition, then there will not be a split in the developer fee. If the Project has any basis eligible acquisition costs, then the developer fee will be split based on the percentage of acquisition basis vs rehab basis. For example, if basis eligible acquisition costs are ¼ of TDC, ¼ of developer fee will be included in 30% basis. No deductions are made from TDC for the purpose of calculating the developer fee split. The calculation is as follows:

Assume the following amounts:

Acquisition Costs in Basis (ACB) = $100,000
Total Development Costs (TDC) = $1,000,000
Total Developer Fee (TDF) = $140,000

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

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

8. Deferred Developer Fee

Unless otherwise stated in the investor LOI, Housing New Mexico may assume that up to 100% of the developer fee can be deferred but not to exceed cumulative projected excess cash flow. Deferred developer fee may count as a contribution provided the pro forma supports repayment of deferred fee by year 15.

Housing New Mexico will consider whether the Project can support deferred developer fee in lieu of subordinate debt when determining whether to offer the lending resources in this Underwriting Supplement to a 4% LIHTC Project, and the amount and loan terms to offer.

V. Operating Pro Forma Criteria

Housing New Mexico will review the projected operating expenses, replacement reserves and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, the CNA or facts obtained from other appropriate sources. Applicants are urged to carefully review operating cost proformas. Applicants must include real estate taxes in their operating expenses unless evidence of a perpetual real estate tax waiver (throughout the term of permanent financing) is submitted with the Application.

Rehabilitation projects must supply both a current operating expense budget and an anticipated, post-rehabilitation budget with their application materials. The current operating expense budget may not meet Housing New Mexico's underwriting requirements, but the projected budget must.

Replacement reserves for the first 15 years may be capitalized in the development budget assuming there is a source of funds that can be used to establish the reserve account. Capitalized reserves are a non-Eligible Basis project cost and establishing reserve accounts may not be an eligible expense for some Housing New Mexico funding sources. If the capitalization results in projected excess cash flow, Housing New Mexico may reduce the subsidy for the Project. A qualified CPA or tax attorney should be used to determine the appropriate accounting treatment of capitalized reserves.

A. Project Operating Assumptions

Proposed Project operating expenses (excluding reserves and resident social service expenses) should be between $5,300 per unit and $7,600 per unit, as supported by the Market Study. Applicants proposing operating expenses below $5,300 must provide historical documentation supporting their ability to successfully operate similar affordable housing Projects at that level. Applicants proposing operating costs above $7,600 per unit must provide documentation justifying higher expenses.

All projects will be underwritten using a maximum inflation factor of 2% for rent and other income and a minimum inflation factor of 3% for expenses. An exception to this is that a 2% inflation factor will be used for management fees & related gross receipts taxes since these fees are usually charged as a percentage of net revenue. A vacancy factor of 7% will be applied to all rental income unless a higher vacancy factor is recommended by a market study. For projects with at least 90% of all units covered by a federal rental assistance contract or projects reserved for seniors, Housing New Mexico will use the market study vacancy factor but not less than 5%.

B. Minimum Debt Service Coverage

Cash flow proformas, during each of the first 15 years, must reflect the ability to repay all must-pay debt with an all-in minimum debt service coverage ratio (DSCR) of 1.20:1.00 or the debt service coverage ratio (DSCR) minimum within the LOI but shall not be underwritten at less than 1.15:1.00[1]. Projects that fail to produce sufficient cash flow may be deemed financially infeasible and may be rejected. Conversely, Housing New Mexico may reduce the Tax Credit award and/or other loans and/or subsidies, increase the interest rate on Housing New Mexico subordinate loans or shorten loan amortization if a Project has a DSCR on all must-pay debt in excess of 1.40:1.00. Housing New Mexico will consider total annual cash flow as well as DSCR when making this determination.

Permanent Supportive Housing Projects for Households or Individuals Experiencing Homelessness that qualify for consideration under the Underserved Populations Set-Aside are not required to incur hard debt, so long as all Project cash flow that is not needed to repay deferred developer fee is deposited into the 15-year supportive services reserve and used for supportive services. The ratio between total operating expenses (excluding the budget for enrichment services on line 49 of Tab 5a), as numerator, and total Effective Gross Income on line 17 of Tab 5b, as denominator, must range between 60% and 80% to provide a cash flow "cushion" available

[1] While Housing New Mexico may consider a DSCR between 1.15:1.00 and 1.20:1.00 on other financing structures, all 9% LIHTC Projects must have a minimum all-in DSCR of 1.20:1.00 during each of the first 15 years, and no higher than 1.40:1.00 all-in DSCR in Year 1 unless it trends downwards and is necessary to meet the minimum all-in DSCR of 1.20:1.00 in at least one of the first 15 years.

to deposit into the supportive services reserve and ensure financial feasibility. Evidence of a commitment to deposit all cash flow (after paying deferred developer fee) into the supportive services reserve must be included in the Application.

Notwithstanding the foregoing paragraph, if a Permanent Supportive Housing Project includes debt with required payments, Housing New Mexico will underwrite the Project as described in the first paragraph of this section.

C. Management Fee

Proposed management fee may not exceed 6.00%. If a project has USDA funding and USDA has approved a higher management fee, Housing New Mexico will underwrite to that fee only if the applicant submits documentation showing the USDA approved management fee.

Housing New Mexico will not underwrite any fees to the developer or its Affiliate for its asset management expenses unless they are stipulated as property operating expenses in the Limited Partnership Agreement or Operating Agreement with the investor.

D. Income in Addition to Base Rent

All features located within the net square footage of the Unit and private open space must be included in the base rent (e.g., Project Owners may not lock any closets or other amenities behind a paywall.)

Surface parking must be included in base rent. Costs associated with covered parking spaces must be excluded from Eligible Basis, if the Project Owner wishes to charge a fee for parking in addition to the base rent for the apartment Unit.

Project Owners may include fees per load charged for use of common laundry facilities and monthly rent for laundry appliances that are stored off-site until the tenant elects to rent them from the Project Owner.

E. Operating Reserves

Operating reserves must be a minimum of six months of operating expenses (including replacement reserve payments and social service delivery costs) and six months of must-pay debt service.

Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that Housing New Mexico determines in its discretion to warrant larger reserves. Project reserves of any kind in the development budget will not be included in Housing New Mexico's calculation of Eligible Basis for tax credit purposes.

On a case-by-case basis, Housing New Mexico may consider operating reserves of four months of operating expenses (including replacement reserve payments and social service delivery costs) and four months of must-pay debt service for 4% LIHTC properties that are 250 units or larger.

F. Replacement Reserves

Replacement reserve levels must be shown in the operating budget at the minimum of $250 per unit per year for senior housing (new construction Projects only) and $300 per unit per year for all other new construction and rehabilitation and adaptive reuse Projects. Project reserves of any kind in the development budget will not be included in Housing New Mexico's calculation of Eligible Basis for tax credit purposes.

G. Adjusted Gross Median Income and Rents (AGMI & AGMR)

Housing New Mexico will underwrite using the LIHTC AGMI & AGMR in effect as of its most recent Qualified Allocation Plan (QAP) training. Income and rent limits may be found on the Housing New Mexico website via the following URL:
https://housingnm.org/property-owners-agents-and-managers/tools-resources-1/rent-and-income-limits/

H. Rent and income Restrictions

While the Code excludes any payments made under Section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such Unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the Tax Credit Ceiling Rents and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents.

I. Projects with Rental Subsidies

Housing New Mexico will underwrite rents in excess of the maximum LIHTC rent for projects with Project Based rental subsidies provided the subsidy has been fully awarded at time of application, a federally approved rent schedule is available, and the tenant paid portion is no greater than 30% of their income. If project-based vouchers have been awarded, but a federally approved rent schedule is unavailable, proof of the award is required, and Housing New Mexico will underwrite to HUD FMR. Tenant Based Vouchers will not be underwritten. If there is no documentation in the application documenting a higher rent, such as a Rent Comparability Study, Housing New Mexico will underwrite to FMR.

J. Utility Allowances

When providing a utility allowance to be deducted from the gross allowable rent, Applicants must provide evidence in the Application that all service fees charged to the tenant have been included in the calculation of the utility allowance.

HOME TERM SHEET

BACKGROUND – Housing New Mexico's HOME rental programs are designed to provide gap financing for a variety of affordable and special needs housing projects throughout the state of New Mexico. As gap financing, HOME funds are typically the last dollars committed to a project and are used in combination with other housing resources such as Housing New Mexico's Low-Income Housing Tax Credit (LIHTC) and 542(c) loan programs.

Funding is subject to availability.

Underwriting:

- ✓ HOME loans are not provided on a cash-flow basis. The loan will generally be structured at 0% interest with full principal repayment by the end of the 40-year term. Housing New Mexico, however, may require a higher interest rate of up to 3% if projected cash flows indicate an ability to cover higher debt payments. Loan terms include a construction period of up to 24 months, during which no principal payments are required, plus a 40-year permanent period based on a 40 to 80 year amortization, depending on feasibility.
- ✓ Projects targeting households at or below 30% of area median income are eligible for forgivable loans. However, per LIHTC rules, forgivable HOME loans are considered federal grants that are deducted from eligible basis.
- ✓ Housing New Mexico must determine that the overall financing gap, after inclusion or re-sizing of a first mortgage loan, can be satisfied within the annual HOME limits structured according to the Housing New Mexico Underwriting Criteria. When all financing sources are committed to the project, Housing New Mexico will perform a final underwriting prior to close and may restructure the HOME loan according to the Housing New Mexico Underwriting Criteria, which may include reducing the loan amount if the amount awarded is not needed to fill the financing gap.

CONSTRUCTION LOANS - Housing New Mexico is at risk for repayment if, and when, Housing New Mexico's Gap funding sources are expended and units are not produced. Therefore, the use of Housing New Mexico funds for construction will be allowed only when guarantors, acceptable to Housing New Mexico, provide guarantees during the construction period.

PROJECT READINESS STANDARDS - Housing New Mexico intends to make HOME awards only to projects that are significantly ready to proceed. At the time of application, the project must have all required zoning in place and evidence of site control. Preference will be given to projects that have all funding commitments, other than Housing New Mexico resources, in place. The applicant must be able to represent to Housing New Mexico that there are no unusual circumstances that would delay a loan closing.

ENVIRONMENTAL REVIEW - The environmental review process must be completed before any funds are committed to a HOME-assisted project. ***While the review is underway, and until environmental clearance is given by HUD, no choice-limiting actions may be taken.*** Such actions include activities that have physical impacts or limit the choice of alternatives, even if they are financed with the developer's or other project participant's funds. These include starting the project by purchasing property and/or conducting site work. Please see (http://www.housingnm.org/developers/environmental-review) on Housing New Mexico's website for guidance.

Please note that the 9% LIHTC QAP requires the property to be purchased by August 31st of the year following reservations, therefore it is crucial to obtain HUD environmental clearance in sufficient time to meet this acquisition deadline. Purchase agreements must incorporate language allowing for the purchase to be cancelled in the event environmental clearance cannot be obtained.

SITE AND NEIGHBORHOOD STANDARDS (NEW CONSTRUCTION ONLY) - Housing New Mexico is responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR 983.57(e). Housing New Mexico will utilize the market study to determine if a site meets these standards, which relate to concentrations of low-income/minority persons in census tracts, substandard dwelling conditions, and accessibility to jobs and services. Developers are advised to review these requirements prior to investing time and money in a specific site. Please confer with Housing New Mexico as needed.

RELOCATION PLANS (REHABS ONLY) - Upon receipt of a preliminary tax credit award letter, applicants must submit copies of: (1) the General Information Notice (GIN) that was mailed to tenants, (2) the rent roll for the month the GIN was issued, and (3) the relocation plan in accordance with the Uniform Relocation Act (URA). See http://www.housingnm.org/developers/uniform-relocation-act/. Contact Housing New Mexico for guidance.

BUILD AMERICA BUY AMERICA (BABA) Act – Projects receiving HOME funds will have the Buy America Preference (BAP) apply to the Project. The Build America, Buy America Act (BABA) is a law that requires the use of US-made materials and products for federally-funded projects. Specifically, when BABA is triggered, all iron, steel, manufactured products and construction materials must be manufactured in the US. Further info: https://www.hud.gov/hud-partners/baba

HOME LOAN AMOUNTS - In accordance with the approved State of New Mexico Action Plan, the maximum HOME loan amount for the 9% LIHTC round will be the lesser of (a) a maximum of $1,250,000 per project for CHDOs/$500,000 for non-CHDOs or (b) 80 percent of the project's Housing New Mexico-approved total development cost.

In accordance with the approved State of New Mexico Action Plan, the maximum HOME loan amount for rental assistance ***outside of*** the 9% LIHTC round will be the lesser of (a) a maximum of

$1,250,000 per project for CHDOs/$1,000,000 for non-CHDOs or (b) 80 percent of the project's Housing New Mexico-approved total development cost.

HOME AWARDS - HOME awards to LIHTC projects will only be made in conjunction with a LIHTC award. Following underwriting and processing of all applications, successful projects will be ranked according to LIHTC scores, and HOME funds will be awarded to the highest scoring CHDO projects first, then to other LIHTC projects, until all available funds have been awarded. If the Applicant procures additional funding to replace a New Mexico HOME award, the Applicant will not be eligible to participate in Housing New Mexico's housing development programs for one year from the date the funds are returned. Housing New Mexico may, at its own discretion, alter the Project's LIHTC and/or other Housing New Mexico funding, including but not limited to withdrawing those awards.

FOR FURTHER INFORMATION:

HOME Underwriting Criteria: Justin Carmona, Housing Development Supervisor (505) 532-1856 jcarmona@housingnm.org	Relocation: John Kazalas, Preservation Program Specialist (505) 532-1861 Jkazalas@housingnm.org
Environmental Review Michelle Werley, Regulatory Compliance Specialist II (505) 532-1884 mwerley@housingnm.org	Site & Neighborhood Standards Miguel Rivera, Architectural Services Rep. II (505) 532-1859 mrivera@housingnm.org

NATIONAL HOUSING TRUST FUND TERM SHEET

BACKGROUND - The purpose of the NHTF is to provide a new affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for households whose incomes do not exceed the greater of 30% of Area Median Income (AMI) or the federal poverty line (hereinafter collectively defined as Extremely Low Income or "ELI" households). One hundred percent of rental units funded by NHTF will be occupied by ELI households.

These funds are subject to availability.

Underwriting:

- ✓ Awards of the NHTF funds are limited by the maximum per-unit subsidy limits and Housing New Mexico's underwriting guidelines. Awards of NHTF funds are limited to a maximum of $400,000 per project.
- ✓ **Maximum Per-Unit Subsidy Limits** - To allow maximum flexibility, the maximum per-unit subsidy limits for NHTF will be set at HUD's applicable limits for the NHTF Program effective at the time of commitment of NHTF funds. The maximum per-unit subsidy limits change annually, and applicant should contact Housing New Mexico for the most recent data.
- ✓ **Developer and Consultant Fees** - Developer fees, inclusive of consultant fees, will be restricted to the maximum limits as described beginning on page 13 above.
- ✓ **Builder Fees** - "Builder Fees" generally cover builder overhead, profit and general requirements and are limited to a percentage of improvements and hard construction costs. Builder Fees will be restricted to the maximum limits as described beginning on page 8 above, unless further restricted by other funding sources.

CONSTRUCTION LOANS - Housing New Mexico is at risk for repayment if, and when, Housing New Mexico's Gap funding sources are expended, and units are not produced. Therefore, the use of Housing New Mexico funds for construction will be allowed only when guarantors, acceptable to Housing New Mexico, provide guarantees during the construction period.

PROJECT READINESS STANDARDS - Housing New Mexico intends to make NHTF awards only to projects that are significantly ready to proceed. At the time of application, the project must have site control, all required zoning in place and the applicant should have all significant environmental issues identified with a plan to address such issues. Preference will be given to projects that have all funding commitments, other than Housing New Mexico resources, in place. The applicant must be able to represent to Housing New Mexico that there are no unusual circumstances that would delay a loan closing.

ENVIRONMENTAL REVIEW - New construction and rehabilitation projects funded with NHTF must be assessed in accordance with the NHTF Environmental Provisions described in 24 CFR

93.301(f)(1) and (2) as well as HUD Notice CPD-16-14, "Requirements for Housing Trust Fund Environmental Provisions." Copies of all NHTF Environmental Provisions are posted on Housing New Mexico website for review at: https://housingnm.org/developers/federal-regulations/environmental-reviews

BUILD AMERICA BUY AMERICA (BABA) Act – Projects receiving NHTF funds will have the Buy America Preference (BAP) apply to the Project. The Build America, Buy America Act (BABA) is a law that requires the use of US-made materials and products for federally-funded projects. Specifically, when BABA is triggered, all iron, steel, manufactured products and construction materials must be manufactured in the US. Further info: https://www.hud.gov/hud-partners/baba

NHTF AWARD - If the Applicant procures additional funding to replace a New Mexico NHTF award, the Applicant will not be eligible to participate in Housing New Mexico's housing development programs for one year from the date the funds are returned. Housing New Mexico may, at its own discretion, alter the Project's LIHTC and/or other Housing New Mexico funding, including but not limited to withdrawing those awards.

FOR FURTHER INFORMATION:

NHTF Underwriting Criteria: Justin Carmona, Housing Development Supervisor (505) 532-1856 jcarmona@housingnm.org	Relocation: John Kazalas, Preservation Program Specialist (505) 532-1861 jkazalas@housingnm.org
Environmental Review Michelle Werley, Regulatory Compliance Specialist II (505) 532-1884 mwherley@housingnm.org	Site & Neighborhood Standards Miguel Rivera, Architectural Services Rep. II (505) 532-1859 mrivera@housingnm.org

NEW MEXICO HOUSING TRUST FUND TERM SHEET

BACKGROUND - The purpose of the NMHTF is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the state. The Act requires that funds be awarded on a competitive basis, and that the application process encourage applicants to develop solutions that are responsive to local needs and are consistent with sound housing policy. The NMHTF may be used to finance in whole or in part projects that will provide affordable housing primarily for persons or households of low or moderate income.

ELIGIBLE EXPENSES - Subject to applicable law, NMHTF financing may be used only for reasonable and customary costs that are directly attributable and traceable to the development, acquisition, construction, rehabilitation, and/or preservation of affordable housing projects. Eligible expenses include those related to the construction of modest living quarters/community spaces and basic durable household furnishings (i.e., stoves, refrigerators, & dishwashers) but not electronics, equipment or luxury (i.e., non-essential) goods.

Underwriting:

- ✓ **Maximum Funding Amount** - Housing New Mexico, in its discretion, may set limits on the amount of NMHTF funding to be awarded per application, per NOFA, per quarter, per year, or otherwise. See the program webpage on Housing New Mexico's website at https://housingnm.org/developers/rental/new-mexico-housing-trust-fund for current funding limits.

- ✓ **Interest Rate** – Housing New Mexico may, in its sole discretion, set interest rates on NMHTF funding. See the program webpage on Housing New Mexico's website at https://housingnm.org/developers/rental/new-mexico-housing-trust-fund for current rates according to project type.

- ✓ **Loan Term and Amortization –** Housing New Mexico offers construction loans with a maximum term of 24-months and permanent long-term amortizing loans with a maximum term of 40 years. Loans are fully amortizing according to the duration of the permanent loan term.

- ✓ **Developer and Consultant Fees** - Developer fees, inclusive of consultant fees, are limited to the following percentages of acquisition and site improvements, hard construction costs, professional fees, financing costs, and soft costs, unless further restricted by other funding sources. Exceptions will be allowed in the case of Low Income Housing Tax Credit (LIHTC) projects, in which developer and consultant fees are subject to the limits set forth in the applicable LIHTC Qualified Allocation Plan issued by Housing New Mexico.

    - Small project (five or fewer units): 15%
    - Standard project (six or more units): 12%

- ✓ **Builder Fees** - "Builder Fees" generally cover builder overhead, profit and general requirements and are limited to 14 percent of site improvements and hard construction costs, unless further restricted by other funding sources.

CONSTRUCTION LOANS - Housing New Mexico is at risk for repayment if, and when, Housing New Mexico's Gap funding sources are expended and units are not produced. Therefore, the use of Housing New Mexico funds for construction will be allowed only when guarantors, acceptable to Housing New Mexico, provide guarantees during the construction period. During construction, multiple disbursements are permitted upon evidence of costs incurred, not more frequently than monthly.

REPAYMENT – NMHTF loans will require interest only payments monthly during the construction period not to exceed 24 months and monthly principal & interest payments during the permanent loan term not to exceed 480 months (40 years). Outstanding principal and interest is due at the earlier of maturity, refinance or sale of the project.

AFFORDABILITY PERIOD - The NMHTF is designed to assist housing that will remain affordable on a long-term or permanent basis. Housing New Mexico shall establish a required affordability period, which, as long as funding for the NMHTF is provided by state funds, shall be in accordance with Section 5.7 E of the Affordable Housing Act Rules, a copy of which can be obtained on Housing New Mexico's website. These rules require minimum affordability periods of up to 20 years, depending on the total amount of NMHTF funds awarded, during which the housing units must only be occupied by low-income or moderate-income households. Additionally, for multifamily rental projects, Housing New Mexico will require an extended affordability period to match the duration of the loan term (currently set at a maximum of 40 years).

HOUSING STANDARDS - All housing receiving NMHTF financing must meet housing standards prior to occupancy (or after completion for homeowner rehabilitation) and throughout the affordability period. Standards vary depending on the type of housing (owner-occupied, rental, special needs, etc.) and the type of activity.

Beneficiary Income Limits and Other Requirements:

Beneficiaries or occupants of housing financed in whole or in part by the NMHTF must have incomes at or below the following limits, which the Applicant shall be required to verify. The income limits and requirements vary depending on the type of housing provided.

- ✓ **Owner-Occupied Housing** - Beneficiary households residing in units financed with NMHTF monies must earn either very low, low, or moderate incomes (adjusted for household size) as defined by the most recently amended Housing New Mexico Rules and Regulations.

Currently, these limits are set at 150% or less of AMI. The home must be owned and occupied by the household as a principal residence. Title to the property must be held as fee simple or a 99-year leasehold. Homes located on Tribal Land may have a 50-year lease or alternative acceptable to Housing New Mexico.

- ✓ **Rental Housing -** Beneficiary households residing in units financed with NMHTF monies must initially have incomes at or below 60% of AMI adjusted for family size as determined by HUD. Rent rates for households residing in units financed with NMHTF monies will be rent-restricted. A unit is deemed "rent-restricted" when the maximum rent for such unit will not exceed thirty (30) percent of the maximum annual income allowable for persons or families occupying such unit. If persons or families occupying such rent-restricted units pay for their own utilities, the maximum tenant-paid rent will equal the amount, reduced by the amount of the local utility costs approved by Lender. If a unit receives Federal or State project-based rental subsidy and the family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program. Additionally, Housing New Mexico requires that 60% of all rental units in a given project be for families earning no more than 120% of AMI.

FOR FURTHER INFORMATION:

Justin Carmona, Housing Development Supervisor
(505) 532-1856 or toll-free statewide (800) 444-6880
jcarmona@housingnm.org

HUD Section 811 Project Rental Assistance (PRA) Program Term Sheet

BACKGROUND - In 2020 Housing New Mexico applied for a $3.6 million award to participate in HUD's Section 811 Project Rental Assistance (PRA) program, which provides project-based rental assistance for extremely low- income Persons with disabilities, 18-61 years of age who are linked with long-term services. All 2020 funding has been awarded.

In 2026 Housing New Mexico applied for almost $3.8 million Section 811 PRA. If Housing New Mexico is selected for an award, any award of Section 811 funds shall be contingent upon Housing New Mexico entering into a Cooperative Agreement with HUD. In order to utilize these funds, projects must be in a location served by an active Local Lead Agency (LLA), through which the services will be provided.

Applications that include Section 811 PRA as a source of rental assistance must include a letter from the Program Coordinator (see below for contact information) that indicates a specific number of Section 811 PRA RAC Units will be available for the Project. Only letters issued after Housing New Mexico receives an announcement of award from HUD will be accepted. If HUD announces Section 811 PRA awards after January 4, 2027, Housing New Mexico will not consider Section 811 PRA awards in the 2027 9% LIHTC Round.

QUALIFICATIONS AND RESTRICTIONS -No more than 25 percent of the total units (a minimum of 5 Units) in an eligible multifamily property can:

- Be provided Section 811 PRA funds
- Be used for supportive housing for Persons with disabilities
- Have any occupancy preference for Persons with disabilities

OWNER CAPACITY AND EXPERIENCE - Owner and Property Management must demonstrate the capacity to participate in Section 811 PRA. This will be measured, in part, by the level of experience administering HUD rental subsidy programs, specifically with HUD's Tenant Rental Assistance Certification System (TRACS) and Enterprise Income Verification (EIV) and experience with managing a range of housing populations, with a particular emphasis on Persons with disabilities.

In the event of non-compliance, any additional developer fee received (because of the participation in the Section 811 PRA program) beyond the Developer Fee cost limits outlined in Section IV.D.2 must be returned to the project in the form of a capitalized reserve account.

In addition, units must meet program criteria for unit integration and accessibility.

Should this source become competitive, PRA allocations will be made based on score.

4% Projects looking to participate in the 811 PRA program are welcome to apply with the expectation of availability, however they are not eligible for the 5% boost to the capped developer fee.

See https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance for more information.

FOR FURTHER INFORMATION:

Carmela Arellano, Program Coordinator III
(505) 532-1576 or toll-free statewide (800) 444-6880
carellano@housingnm.org