MFA received the following comments during the public comment period between August 16, 2022 and September 16, 2022. Most of the comments are provided word for word, except where it was not possible or reasonable to do so, such as those received orally, for which the substance of the comment is included. The positive comments that were received along with the recommendations for changes to the draft QAP are appreciated. MFA responses are preliminary recommendations that are still going through the approval process and are not final until the 2023 QAP is approved by MFA's board of directors and the governor.

Section II.C – Allocation to New Construction and Rehabilitation Projects

1. Comment

Return to the 1:1 ratio of awarding new construction and rehabilitation projects.

2. Comment

The policy to award two new construction projects to every one rehabilitation project is not in line with the goals stated in the Housing New Mexico Strategic Plan. The loss of existing affordable housing is a great risk to New Mexico's affordable housing stock and for many reasons small to mid-size rehab projects do not work as 4% tax exempt bond projects. Even with the economies of scale of larger rehab projects, there are still sizable funding gaps. Strongly recommend removing this allocation preference towards new construction projects.

MFA Response to Comments 1 - 2:

"Monitor the Qualified Allocation Plan (QAP) to ensure that 9% credits adequately support multifamily acquisition/rehabilitation" is one of three strategies in the goal to preserve existing naturally occurring affordable housing and publicly subsidized housing stock. The other two include: 1) Support preservation and provide funding to improve the condition of existing affordable housing; and consider prioritizing projects owned and/or managed by public, regional and tribal housing authorities; and 2) Reconsider how new funding sources for weatherization and rehabilitation funds could be allocated to ensure that the funding distribution aligns with needs (v. population based distribution). MFA continues to monitor the market each year and adjusts the QAP as needed based on market needs. In 2023 it is still beneficial to maintain the current 2:1 ratio between new construction and rehabilitation. While recognizing that the state's need for improvements to residential housing is significant, based on population projections, in the next five years, the state will need to create about 4,300 units affordable for new renters with incomes below the 50% AMI level – approximately 850 per year (see page 3, New Mexico Housing Strategy).

Section III.D – Allocation Set-Asides

3. Comment

Greatly appreciates and approves of keeping tribal projects within the Underserved Populations set-aside. There is tremendous need within New Mexico tribal communities for affordable housing rehabilitation and new construction. A set-aside provides for greater access to the largest affordable housing leveraging tool available. The creation and inclusion of Tribal Projects within the 20% Underserved Population set-aside is an impressive commitment to the local New Mexico tribes and its impact cannot be understated.

4. Comment

Provide a set-aside for Public Housing RAD developments

5. Comment

Recommend the addition of projects with 100% project-based subsidy (HUD 811, HUD 202, Public Housing, RAD, etc.) to the Underserved Populations Set-Aside. These projects serve the underserved populations targeted with this revised set-aside. According to HUD data, 46% of New Mexicans living in public housing are Extremely Low Income households, Social Security payments are the primary source of income for approximately 55% of seniors in public housing, and 36% of public housing households include a member who is disabled.

MFA Response to Comments 3 – 5:

MFA typically receives multiple applications for projects with 100% subsidy and the 2023 Draft QAP provides the Sustaining Affordability scoring criterion to provide an incentive for housing with rental subsidy, including public housing developments going through HUD's RAD program.

Section III.E Project Selection Criteria

4% Projects - Location

6. Comment

Larger retailers like Walmart evaluate potential market demand based on populations within a 15-minute drive time. With this in mind, recommend that the 2023 QAP section regarding mandatory requirement #4 – In Urban Areas, must be located within 2 miles driving distance of a facility in which fresh produce is available (page 23 of the clean draft dated 8/16/22), be amended to include a radius of either 5 miles or a 15-minute drive time (as measured by Google Maps) similar to the way retailers evaluate markets.

7. Comment

Remove the requirement that 4%/bond deals must be within 2 miles or 5 miles of a facility in which fresh produce is available. This is unnecessary regulation in an already volatile market and will lead to less housing overall. Developers are already incentivized to build housing in areas where adequate commercial exists. Additionally, allowing developers to anticipate growth prior to economic development and other housing development ensures NIMBYism will not be a major barrier to multifamily affordable housing

development. Finally, many developers utilizing the 4% tax credit will look for available land in federally designated difficult to develop areas (DDA) to help the project work economically. These DDAs are not always guaranteed to be in an area of overgrowth, and are typically in more affluent, slower growing areas which are likely to see growth in the near future. In all situations household numbers precede retail and grocery development - it is key factor that developers of grocery look at as part of their investment criteria. Removing these mandatory criteria will help development keep up with demand as developers predict growth prior to immediate need.

MFA Response to Comments 6 - 7:

MFA understands that sites of sufficient size to be feasible for a 4% LIHTC transaction may not be available within two miles of a facility with fresh produce, and but for that threshold, would not be built or replaced with a different 4% project. In the current environment where a competitive 4% LIHTC round is not needed, MFA is considering recommending that facilities with fresh produce be located within a 15-minute drive time, as demonstrated by Google Maps, be sufficient to meet this threshold requirement.

Scoring Criterion 2 - Locational Efficiency - Proximity to Services

8. Comment

Agrees with the proposed change to the Proximity to Services scoring categories for Rural/Tribal projects. The increased distance from two miles to five miles more accurately captures the reality of Tribal projects and the distance tenants travel to various amenities in their community. We also approve of the important additional distinction that the distance includes driving as well as walking.

Scoring Criterion 4 – Sustaining Affordability

9. Comment

Sustaining Affordability- Public housing projects that are converting to project-based subsidy through RAD should be considered as a new federal rental assistance contract and eligible for the full 10 points. These projects are at risk of falling into disrepair and lost from the housing stock or going to market if not converted, and the project based rental assistance is a new contract. According to the National Housing Preservation Data Base there are 692 units of public housing that need immediate investment as indicated by REAC scores of less than 60 points and 4,133 publicly subsidized units of rental housing are at risk in the next 10 years.

MFA Response to Comment 9:

The intent of the higher points in this scoring criterion is to incentivize newly subsidized units. Existing public housing that receives new contracts through the RAD program replace existing rent subsidy with a new form of contract, but do not add additional subsidized units to the housing stock.

Scoring Criteria 8-10 - Populations

10. Comment

There is new detailed language about service provision in QAP but the criteria seem to be just for special needs. There is concern that the service providers, though they have experience serving non-special needs populations, may not qualify as service providers under MFA's definition.

MFA response to Comment 10:

The requirements for greater detail regarding supportive services described in Sections III.D.2.a.viii and III.E.8 are limited to permanent supportive housing and the Households with Special Housing Needs Housing Priority. There are no proposed changes to the Projects Reserved for Seniors Housing Priority or the Households with Children Housing Priority.

Scoring Criterion 11 – Leveraging Resources

11. Comment

Leveraging Resources - HUD Declaration of Trust (DOT) that is filed on Public Housing properties do not remain in place during a RAD conversion and they should not be taken into consideration when valuing the land and buildings. DOTs require the property to be used as Public Housing and since only the Housing Authority with jurisdiction can operate Public Housing, there can never be a sale of the land to any other entity while maintaining the use restrictions on the property. Further even if it is assumed that another entity could assume ownership of the property and operate it as Public Housing, Public Housing is subsidized by HUD on a breakeven basis. The standard methodology for multifamily property valuation is based on net operating income which equates to a value of zero for a Public Housing property. Please see the attached explanation of the appropriate methodology for appraising the value of an existing Public Housing property from Novogradac.

MFA Response to Comment 11:

While the HUD Declaration of Trust may be removed from the property upon a RAD conversion, the QAP requires an "as-is" appraisal as of the date of the Application Deadline to earn points under this scoring criterion. To allow a public housing property to be valued as if it were a market rate property without restrictions would be unfair to other applicants competing in the round who are preserving an existing affordable housing property.

12. Comment

Appreciates the changes to this scoring category in that it more clearly defines what contributions are eligible and which contributions are ineligible. We believe that the standard outlined here for "local tribal governmental entity, tribal housing entity, or tribal council" is accurate and achievable.

Scoring Criterion 17 – Blighted Buildings and Brownfield Site Reuse

13. Comment

Page 47, Scoring Criterion 17. Blighted Buildings and Brownfield Site Reuse

The tests in paragraph two are holding the blighted building to a condemnation standard, not the blighted definition on page 94, XI. Glossary: Blighted Buildings – buildings that are in such severe disrepair that rehabilitation or Adaptive reuse is no longer feasible.

However, requiring local government notice of violation of local codes or condemnation notice is a standard much higher than disrepair or feasibility of adaptive reuse. The blighted building definition seems to suggest an economic feasibility decision, rather than a public safety consideration via a local government condemnation action. In addition local condemnation actions pose a problem for municipalities without local zoning (Hobbs), some tribal entities (BIA Trust Land), land owned by the state of New Mexico (NM State Land Office is not subject to local zoning codes) or education / state universities (also not subject to local zoning codes).

MFA Response to Comment 13:

The Glossary definition in the QAP focuses on the severe level of disrepair of the building. It is not merely a lack of financial feasibility. In fact, HUD, in the Unified NSP1 and NSP3 Notice issued October 19, 2010, defines a structure as "blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare." To receive points under this scoring criterion, MFA reasonably requests a letter from local government stating its policy and a third party report documenting that the site meets the QAP's definition of a Blighted Building. The QAP also asks for documentary support ***such as*** *notices of code violations, recorded covenants, conditions and restrictions on the property or a condemnation notice. These are examples of documentation supporting the applicant's claim that the building is blighted.*

Where no codes or regulations exist, the QAP does not prohibit the applicant from providing other supporting documentation of the blighted condition of the building. For example, where a building owned by the state of New Mexico is not subject to local zoning codes, but is located in an island surrounded by a municipality that has enacted local zoning codes, an applicant could provide a letter from the NM State Land Office regarding its policy, plus a third party report showing that the building is blighted, plus a copy of the local zoning codes that would be deemed violated if the land was subject to that jurisdiction's zoning codes along with photographic evidence of the situation that would violate that zoning code.

Scoring Criterion 19 – Efficient Use of Tax Credits

14. Comment

Increase the efficiency tax credit calculation for rural projects, due to the considerably higher construction cost

MFA Response to Comment 14:

Schedule D construction cost per residential square foot for awarded projects does not support creating a separate cost category for rural non-tribal projects at this time.

15. Comment

Has strongly opposed the Efficient Use of Tax Credits scoring category since its inception and we continue to oppose it now. Many allocating agencies feel continued pressure to institute cost caps in their QAPs and we understand the pressure. However, instituting caps in such a broad manner as is reflected in this scoring criterion disproportionally hurts rural, tribal projects.

Rural, tribal projects are expensive for several reasons that are out of the developer's control. We understand that MFA wants to limit the credit award amount to each individual project to only what is necessary to make the project feasible. However, this cap forces tribal projects to cut their credit request by as much as 25% to score the minimum points available, essentially requiring the projects to become financially infeasible just to score the minimum amount of points under the category.

MFA has not been receptive to removing or making changes to this category. We appreciate that MFA in this 2023 QAP draft has continued to increase the allowable tax credit per unit and tax credit per square foot caps. We also appreciate that MFA recognizes the unique factors that impact tribal projects with specific guidelines for Tribal and PSH projects. We do, however, request that that MFA adopt specific language for inflationary yearly increases to the allowable tax credit per unit and tax credit per square foot caps.

MFA Response to Comment 15:

The relative weight of the Efficient Use of Tax Credits scoring criterion was reduced significantly beginning in 2022 to allow projects the ability to make up a lower score in this area with other scoring criteria. MFA increased the limits on this scoring criterion by 17.5% based on Bureau of Labor Statistics data for residential construction goods.

Scoring Criterion 21 – Other Scoring Points Available

Sustainable Development

16. Comment

Amend the QAP to include competitive points for projects that achieve high-performance building certifications, such as LEED, since it takes a holistic approach to building performance and it aligns with the state Sustainable Building Tax Credit.

17. Comment

We request that MFA expand its Property Standards requirements to incentivize or require that funded projects certify to a comprehensive green building or water efficiency rating program. Specifically, we support recognition of the ICC-700 National Green Building Standard (NGBS) and the embedded Water

Rating Index (WRI), as these programs are comprehensive and cost-effective, well-suited for affordable housing development.

MFA Response to Comments 16 & 17

MFA's Mandatory Design Standards for Multifamily Housing include threshold requirements for water and energy conservation, indoor air quality, and EV capable parking spaces. New Mexico's Sustainable Building Tax Credit *is available for those who wish to pursue this incentive for cutting-edge sustainable building practices.*

Rural Development

Comment 18

Increase points for rural projects

MFA Response to Comment 18

MFA's data shows a proportional distribution of tax credits among urban and rural areas. The urban areas defined in the QAP comprise 50.85% of the state's population and the rural areas defined in the QAP comprise 49.15% of the state's population. Over the past five years, the number of tax credits awarded to urban areas was 51% and the number awarded to rural areas was 49%. Over the past 22 years, the number of tax credits awarded to urban areas was 49% and the number awarded to rural areas was 51%.

Section IV.C.2 Cost Limits

Comment 19

Recommends that land is backed out of TDC because it is one of the most variable costs in an affordable housing transaction. Land costs are higher in desirable "high opportunity" areas.

MFA Response

The Total Development Cost definition in the Glossary, on page 104 of the clean draft dated August 16, 2022, states "for purposes of calculating cost limits, the purchase price attributable to the land, any costs related to commercial space and reserves (not eligible for tax credits) will be excluded."

Comment 20

Recommend that Tax Exempt Bond financed projects be allowed to exceed the Cost limits by 10% to allow for the additional costs of issuance associated with TEB transactions.

MFA Response to Comment 20:

MFA is recommending that the Total Development Cost definition in Glossary be updated to exclude actual costs of issuance on line 65 of Schedule A when calculating cost limits. QAP Section VI limits costs of issuance to 5% of the bond issue for projects with total financing sources of $2,000,000 or more.

Comment 21

For 4% deals, remove the Total Development Cost Per Unit caps. The 4% credit is not a limited subsidy and does not need the same efficiency standards as the 9% program. This cap arbitrarily limits development of larger 4% deals and results in less units overall being added to the NM affordable stock. Additionally, in our volatile material and labor markets, along with periods with high inflation, this provision could result in developers utilizing low-quality construction materials that will be expensive to operate in the future.

MFA Response to Comment 21:

The QAP reasonably limits Total Development Costs by benchmarking projects submitted during the same year. QAP Section IV.C.2 provides Projects with extenuating circumstances pertaining to hard construction costs an opportunity to request a waiver by submitting additional material justifying those costs for consideration.

Section IV.D Feasibility Analysis and Financial Considerations

Comment 22

We request the underwriting supplement at least ninety (90) days prior to the application deadline.

MFA Response to Comment 22:

MFA will make every effort to post the underwriting supplement as soon as possible.

Comment 23

Remove the required 7% vacancy factor from the 15-year pro forma cash flow projection and allow the market study of the project to determine needed vacancy rate percentage or lower the vacancy factor to the more industry standard 5%. New Mexico, like many fast-growing western states, is struggling to keep up with demand for housing in the COVID-19 era. The demand is outpacing supply in almost all major metropolitan areas in the state as tourism booms and locals are getting priced out. As a result, demand for affordable rental housing has increased dramatically. In states where Dominium operates that have similar supply and demand discrepancies, the average vacancy rates in our Mountain West properties are between 2%-3%. All our lenders with respect to the permanent mortgage sizing are underwriting to a 5% vacancy and have been for many years. While some areas may not be seeing as large of a boom in population, areas that developers are likely to develop are seeing rapid growth. As such, the vacancy rate factor should be determined by the market study, not an arbitrary calculation mandated by the QAP.

MFA Response to Comment 23:

One strategy for managing risk that the market will change over time is to provide a vacancy factor that is conservative. MFA's 7% vacancy factor is not out of the ordinary - the Affordable Housing Investors Council Underwriting Guidelines also cite 7% as a "customary" vacancy factor. If the market study supports it, MFA allows a 5% vacancy rate for projects proposing housing for older persons (i.e., seniors) and for projects where 90% of the units have project based rental assistance.

Section IV.D.2.a Builder's Overhead/General Requirements/Profit

Comment 24

With respect to Builder's Profit, Builders overhead and general requirements, we suggest amending the QAP to allow for more flexible administration. We believe it is appropriate to have a hard 14 percent cap that addresses the combined profit, overhead and general requirements line-items but recommend developers have flexibility within that cap. For example, a project that experiences construction delays may exceed 2 percent of builders overhead but may through value engineering and creative negotiating reduce their general requirements line item to offset the increased overhead.

MFA Response to Comment 24:

While not explicit in the QAP, this has been MFA's practice when underwriting. Combined builder's overhead, profit and general requirements in excess of 14% is excluded from eligible basis.

Comment 25

Clarify that like developer fee, builder profit will be determined at 8609 for 4%/bond projects. Similar to the developer fee being locked in at 8609 issuance for 4%/bond projects, the builder profit should also be determined at 8609 issuance.

MFA Response to Comment 25:

Developer Fee calculations for 9% and 4% projects are different. Thus, an explicit statement was needed that developer fees are finalized at 8609 for 4% projects because they are based on a percentage of Total Development Costs. Conversely, builder profit, overhead and general requirements are finalized at 8609 issuance for both 9% and 4% projects because they are both based on a percentage of construction hard costs. Therefore, adding separate statement for 4% projects would be superfluous.

Section IV.D.2.b Developer Fees

Comment 26

Developer Fee - Remove the inclusion of construction management fees as part of the developer fee. Construction managers bring value to these projects, particularly in this environment of many construction challenges. This is a separate function from the development activities.

MFA Response to Comment 26:

MFA will postpone limits on construction management fees until after additional input from the development community is received and considered over the next 6 – 12 months.

Comment 27

Increase maximum developer fee from 14% to 20% for 4% projects and defer any fee above 14%. These projects have increased risk and the higher developer fee generates more equity to fill project financing caps and/or reduce need to obtain state tax credits.

Comment 28

Increase the developer fee for 4%/bond deals from 14% to 18% and cap the paid developer fee at $3.5M, requiring the remainder of the fee to be deferred back into the deal. Currently in New Mexico, the developer fee is capped at 14% for 4%/bond deals. Raising the developer fee to 18% for 4%/bond deals and capping the paid fee at $3.5M with the remainder of the fee being deferred, would allow for developers looking to develop at the 4% LIHTC level to acquire more expensive land in high-opportunity areas and help mitigate rising construction costs, increasing the opportunity to use the LIHTC program as it was intended to be used - as a tool for upward mobility. It is more efficient for long-term developer/owners to develop affordable housing at a larger scale, because static costs like security, insurance, landscaping, and site staff payroll can be spread across multiple units. This in turn provides more housing units at a cheaper rate of construction, saving government subsidy for additional projects. Additionally, deferred developer fee would serve as a much-needed cushion when all other financial resources are tapped and inflation or the market dictates extremely high constructions costs or lumber pricing, like we have seen this past year.

MFA Response to Comments 27 – 28:

While MFA recognizes that there are some states willing to increase developer fees on 4% projects to increase eligible basis, this is not a standard recommended practice among HFAs. MFA does not limit the percentage of developer fee that may be deferred. However, any amount that can't be repaid within 15 years through project cash flow is removed from eligible basis. Therefore, it would take more of MFA's limited soft resources to pay for this increased fee.

Section IV.G.6.c Notification of Approval and Subsequent Project Requirements – August 31

Comment 29

Page 77, 6.c. Where can we find the Compliance Addendum for review? (this appears new in this year's QAP)

MFA Response to Comment 29:

The Compliance Addendum was being drafted at the time the draft QAP was posted. Since it is not yet ready, this requirement will be postponed until next year to provide sufficient time for public comment.

General Application Format Comment

Comment 30

Please revise Schedule D. It is difficult to complete because it does not align with the way general contractors prepare cost estimates.

MFA Response to Comment 30:

MFA will expand Schedule D to mirror the AIA Form G703, which is commonly used to prepare a schedule of values for construction.

General Rural Development Comment

Comment 31

Every year for the past several years, I have been providing the same comments to MFA describing rural projects' inability to compete successfully in the 9% LIHTC funding round against urban projects (Albuquerque, Las Cruces and Santa Fe). Rural applicants must chase every point possible and still not score well enough to compete. Chasing points usually leads to projects being in the wrong location or projects being more expensive.

I am also requesting that Roswell be reclassified as a rural market based on the comments provided below.

There are a number of factors that cause rural markets to be non-competitive with urban markets in correlation with the current QAP scoring. As I am sure you are aware, it should also be noted COVID-19 and related global supply chain constraints have only further exacerbated these factors.

The factors are as follows:

1. The cost of construction is significantly higher in rural markets than urban markets due to the fact that there is no local subcontractor base and all of the subcontractors have to travel 3 to 5 hours from Albuquerque, Santa Fe or El Paso. In addition, construction build time is 4 -6 months longer because most subcontractors will only work a 3.5 to 4 day work week in order to be home with their families on the weekends. Subcontractors leave Thursday evening and arrive late morning on Monday.

Impact: Scoring Criterion 18-Efficient use of Credits. Rural construction costs are higher requiring more tax credits. Rural cannot compete with PSH, tribal or urban project scoring.

2. Investor credit pricing is lower due to lack of viable CRA credit areas and lower overall investor demand because of perceived market risk due to smaller market size.

Impact: Scoring Criterion 18-Efficient use of Credits. Lower investor credit pricing requires more credits rural cannot compete with urban project scoring.

3. Rural Incomes are lower, with the exception of Eddy, Lea and Los Alamos counties, than urban market incomes causing rents to be lower.

Impact: Scoring Criterion 5-Income Level of Tenants, Scoring Criterion 8-Special Needs Housing and 18-Efficient use of Credits. Rural markets debt sizing amounts are lower requiring more credits. Rural cannot compete with urban project income level scoring and rural markets lower income levels do not support 30% AMIs to qualify for special needs scoring.

4. Rural projects have Limited or no public housing vouchers available for project based subsidies.

Impact: Scoring Criterion 4-Sustaining Affordability and Scoring Criterion 8-Special Needs Housing: scoring not attainable without project based subsidies.

5. Rural municipalities have limited or no funds to contribute to rural projects.

Impact: Scoring Criterion 11- Leveraging Resources: limited or no points available.

6. Rural municipalities land costs are significantly lower than urban markets.

Impact: Scoring Criterion 11- Leveraging Resources: limited or no points possible.

7. Rural senior population is a smaller market than urban.

Impact: Scoring Criterion 9 - Senior Housing: HH's with Children should receive more points not less than Senior Housing as most rural markets have limited demand to support a senior community and moreover investor appetite is much less due to market size risk causing lower credit pricing.

8. Rural markets do not have frequent public transportation.

Impact: Scoring Criterion 2 - Locational Efficiency: Rural markets do not have frequent transportation compared to urban markets. Covid 19 has further exacerbated this issue.

Roswell

Roswell suffers from the same factors as rural described above yet Roswell is categorized as an urban market which even further impedes Roswell's ability to compete against urban even more so than most rural markets for the following reasons:

1. Scoring Criterion 2- Locational Efficiency: Roswell's proximity to services is rural and Roswell does not have frequent transportation.

2. Scoring Criterion 5- Income Levels: Of the 26 rural counties, Chaves County's median income is lower than 14 of the rural counties; or 53% of the rural counties have a higher income than Roswell yet Roswell must compete in the urban category.

I am requesting that the 2023 QAP be revised so the scoring allows rural to compete equitably with urban, PSH and tribal applications or if the QAP scoring is not revised, as was done for rehabilitation, create a pure category for only rural where rural applications compete with just rural not urban, PSH or tribal applications. I understand the QAP is always a work in progress and funding is scarce. However, MFA must always strive to provide an equitable distribution of projects across the state of New Mexico. The application awards in 2022 were not equitable as no rural project received an award. I also disagree with your consideration of increasing the amount of credits available for PSH projects in 2023. Given the severe challenges facing the affordable housing industry, now is not the time to increase credits for the small PSH population. Given the massive need of affordable housing for working families across New Mexico, rural markets should be considered instead for an increase in the amount of credits.

Please reference the email below from Karl Smith of Pavilion Construction. Based on Karl's and my expertise in estimating current cost per square foot for new construction, the Draft 2023 QAP under scoring criterion #18 -Efficient Use of Tax Credits does not provide a rural project (including Roswell) enough tax credits to score any points. Construction costs are simply too high outside of the I-25/Albuquerque/Santa Fe corridor. Assuming $250/sf for areas outside the I-25/Albuquerque/Santa Fe corridor, a 60-unit project would require $1,500,000 in credits assuming an average unit size of 875 sf

which equates to $25,000 tax credits per low income unit and $28.66 tax credit per low income square feet. As stated in my previous email correspondence, areas outside the I-25/Albuquerque/Santa Fe corridor cannot compete with the I-25/Albuquerque/Santa Fe corridor nor do they underwrite based on the Draft 2023 QAP.

It is MFA's obligation under the Section 42 code to draft QAP scoring that ensures equitable distribution of credits across the State of New Mexico and the current Draft 2023 QAP falls very short. In fact, the current QAP as written does not even come close with "All Other New Construction Projects" having to request less than $20,789 tax credits per low income unit and $21.48 tax credit per low income square feet in order to score 5 points.

MFA Response:

First, MFA takes a long-range view of the distribution of tax credits across the state. The urban areas defined in the QAP comprise 50.85% of the state's population and the rural areas defined in the QAP comprise 49.15% of the state's population. Historically, Roswell has received 2% of the total 9% LIHTC since 2000, which is comparable to its proportion of the state's population. As the chart below shows, the balance of tax credits going towards urban and rural areas does not favor urban over rural areas.

Period:	LIHTC to Urban Areas	LIHTC to Rural Areas
2000-2022	49%	51%
2013-2022	45%	55%
2018-2022	51%	49%

Second, looking at the projects awarded over the past few years, the new construction total development costs (less reserves, land and commercial costs that are not included in eligible basis) per residential square foot do not show a clear and consistent trend towards higher project costs per residential square foot in non-tribal rural areas. MFA assumes this is because projects are built to suit the environment where they are located, and urban projects may require taller buildings on a compact site that have their own constraints. The charts below compare the new construction data from the Roswell application on the 2022 "non-tribal rural" line for easy comparison to the 2022 urban awards, which are all located in the areas described as lower cost areas in the email.

TDC/Res SF	2020	2021	2022
Non-Tribal Rural	$ 212.76	$ 306.75	$ 225.92
Urban	$ 255.97	$ 308.01	268.15

The Schedule D construction cost per residential square foot also does not support creating a separate cost category for rural non-tribal projects:

Schedule D/Res SF	2020	2021	2022
Non-Tribal Rural	137.29	$ 184.17	156.22
Urban	157.01	$ 187.93	162.32

Third, the comment suggests that MFA increased the amount of tax credits available to PSH projects separately from other projects. The 17.5% increase was across all project types.

Finally, MFA is considering whether Roswell should be classified as a non-urban area.