

New Mexico Preservation Loan Fund Policy

Approved by the Board of Directors March 15, 2023

Revisions May 20, 2025

- I. **Purpose:** The overall purpose of the New Mexico Preservation Loan Fund (NMPLF) is to provide a flexible funding source to properties at-risk of exiting the affordable housing stock, thereby promoting the preservation of affordable housing opportunities in the state of New Mexico. The NMPLF will be available to owners, developers, and other partners seeking funding for a wide array of preservation-oriented needs. This includes rehabilitation funding for owners of at-risk properties struggling with physical upkeep as the property ages, acquisition financing for prospective owners seeking to acquire affordable projects and maintain affordability over time, and predevelopment funding for existing LIHTC properties pursuing re-syndication. The Fund will strive to provide interest rates and loan terms more flexible than may be provided by traditional financial institutions. Origination, underwriting, and servicing will be provided by Housing New Mexico staff, and funding decisions will be made by Housing New Mexico convened scoring committees.

The New Mexico Preservation Loan Fund's program characteristics will include the following:

- A. The NMPLF is comprised of multiple Initiatives specific to defined needs. Initiatives will be phased out in the following order. Initiatives can be added, moved, or deleted at any time, as partner feedback, market conditions, community needs, funding availability, and/or organizational resources dictate or allow.
1. The Rehabilitation Initiative provides long-term, low interest loans to finance the rehabilitation of permanent, low-income housing. This includes repairs or renovations to an existing structure or replacement of existing amenities, especially those changes that contribute to the preservation of the property by extending its structural longevity and promoting its long-term utility.
 2. The Acquisition Initiative will provide long-term, low interest loans to assist buyers in acquiring existing affordable properties that would otherwise be lost from the affordable housing stock. Buyers receiving funding through this initiative would have to prove their commitment to sustaining the property's long-term longevity and affordability.
 3. The Housing Authority Initiative will provide long-term, low interest loans to assist housing authorities in the rehabilitation of at-risk public housing units. This includes repairs or renovations to an existing structure or replacement of existing amenities, especially those changes that contribute to the preservation of the property by extending structural longevity and promoting long-term utility to projects already in the portfolio.
- B. NMPLF is a standalone funding source and not intended to be used as a source of gap funding for Low Income Housing Tax Credit or layered with other Housing New Mexico loan programs.

- C. The NMPLF undertakes an affirmative commitment to identify and obtain access to all other sources that might become available in the future. The New Mexico Housing Trust Fund Severance Tax Bond (STB) based reoccurring funding is the primary source for NMPLF. However, if and when available, other forms of funding may be considered as a source.
 - D. The NMPLF provides assistance to all types of affordable housing deemed “at risk,” regardless of location, construction style, or occupancy. “At risk” properties are defined as those properties in danger of exiting the affordable housing stock due to conversion to market rents, physical dilapidation, or any other causes. NMPLF is not restricted for use toward the preservation of properties previously funded by Housing New Mexico. Scoring will prioritize projects aimed at preserving properties most at risk of exiting the affordable stock, such as those that are severely physically dilapidated, nearing the end of the affordability period, or for sale within the Qualified Contract sales period.
 - E. The NMPLF assists only existing affordable properties in order to preserve existing affordable housing stock. Although program initiatives and uses may be added or removed at any time, any new initiative will assist only existing affordable properties.
 - F. The financing mechanisms to be employed include loans at or below market rate. All NMPLF financing will be in the form of loans, which may be for interim and/or permanent financing. The terms and conditions for each loan will be based on the financing needs of each project or activity. Loan terms and conditions may range from no interest, deferred payment loans, to revolving line of credit loans, to loans with near-market interest rates and terms. Staff will post current underwriting guidelines on Housing New Mexico’s website.
 - G. The NMPLF may undertake, as a part of its work, the development of improved delivery mechanisms, or entirely new delivery systems, wherever needed to help preserve adequate affordable housing.
 - H. The NMPLF accepts applications for projects throughout the state and will endeavor to provide program assistance with a fair statewide geographic distribution. However, NMPLF funding will strive to target projects that may have more difficulty securing funding from other sources (such as smaller, rural projects), to better preserve those properties that may not be as competitive in attempts to receive LIHTC or other funding.
- II. Administration:** The NMPLF is administered by Housing New Mexico. Various activities will draw upon the Housing Development, Homeownership, Asset Management, Accounting and Servicing departments, as well as the Management Team.
- III. Project Characteristics**
- A. Projects must meet the following minimum requirements:
 - 1. Located within the State of New Mexico;
 - 2. Beneficiary income limits and other requirements. As a general practice, NMPLF requires that the project maintain existing restrictions on the

property in effect at the time of funding application, including income and rent limits instituted by Housing New Mexico or another entity;

3. Commitment to an affordability period depending on initiative type and amount of funding awarded, as outlined in Table 1:

Table 1

Rehabilitation, Acquisition, and Housing Authority Initiative Affordability Periods	
Per-unit award amount	Minimum affordability period
\$1-\$24,999	20 years
\$25,000-\$34,999	25 years
\$35,000-\$44,999	30 years
\$45,000-\$54,999	35 years
>\$55,000	40 years

4. Regardless of the initiative type or financing mechanism, property use restrictions will be documented and recorded;
5. Projects of any number of units may be assisted, although availability of funds and efforts to achieve a fair geographic distribution of resources will limit the amount committed to a given project, based on funding availability and staff discretion;
6. Loans for projects under the Rehabilitation, Acquisition and Housing Initiative projects are structured as long-term, low interest loans to finance the acquisition or rehabilitation of permanent, low-income housing, and a maximum award of \$2,000,000.00. Loan terms are flexible, but have a base rate at 1% and base term in alignment with the project's NMPLF affordability period (see Table 1). Loan payments will typically be interest-only payments monthly, fully amortized over the term of the loan. Other reasonable payment terms may be considered;
7. Application and Origination Fees will be assessed on each loan request to 1) offset the administrative costs, and 2) generate a nominal amount of program income that will be redeployed within the program's initiatives. At a minimum, a \$250.00 application fee and \$6,000.00 design review fee will be assessed and due at the time of application;
8. Interest rates are set by Housing New Mexico, and will change from time to time, as necessitated by economic and market conditions; however, rates should be set to achieve a positive spread above the organization's Cost of Funds (COF), actual or imputed, yet be targeted to be below typical market rates;
9. Eligible applicants include non-profit organizations, for-profit organizations, governmental housing agencies, regional housing authorities, governmental entities, governmental instrumentalities, tribal governments, tribal housing agencies, builders, corporations, limited liability companies, partnerships, joint ventures, syndicates, associations, or other entities that can assume contractual liability and

legal responsibility by executing one or more written agreements with Housing New Mexico.

IV. Initiative Additions, Deletions, and Alterations

- A. The NMPLF may from time to time, implement additional initiatives, as they are identified, to provide funding to support the preservation of New Mexico's affordable housing stock. Summaries of new initiatives not listed herein must be approved by the Board and will then be made part of the Program Policy. Existing initiatives may also be deleted or altered by the same process.

V. Project Review and Approval Process

- A. Upon receipt of the application, the project proposal will be initially reviewed for application completeness, project eligibility, etc. If the application is determined to be complete, a thorough, more detailed review and analysis will be performed by a scoring committee of two or more Housing New Mexico staff members to:
 - 1. Determine the project's ability to preserve the target property;
 - 2. Determine the project's success in advancing program goals (i.e., underserved geographies targeting, preservation of low-resource properties, etc.);
 - 3. Evaluate scoring items, including, but not limited to cost-effectiveness, readiness, advancement of sustainability and energy efficiency, low-income targeting, and agreement to affordability period above minimum required; and
 - 4. Underwrite the project to ascertain subsidy amounts needed and establish financial viability of project.
- B. When proposed project funding/financing sources include funds that were allocated to the NMPLF from other programs (such as the New Mexico Housing Trust Fund) that have specific, pre-established program requirements, the project will be underwritten in accordance with those program specifics.
- C. Once underwritten and scored, if recommended by staff, a Project Request Summary and Approval Recommendation for the proposed project will be prepared and submitted for approval as required by the Housing New Mexico Delegations of Authority, which may include approval by Housing New Mexico Policy Committee, the Board of Directors Contracted Services Committee, and the Board of Directors.
- D. Upon approval of the loan request, assigned staff will communicate the approved terms, including any conditional requirements, to the applicant. Additionally, assigned staff will perform the tasks necessary to close and process the loan, including, but not limited, to the preparation of required loan documentation, security agreements, land use restriction agreements, assignments, subordinations, etc. Assigned staff will also direct and assist in preparing the documentation necessary to perfect the loan, ensure program compliance, etc., by providing direct assistance, preparing contracts, or confirming the

commitment of other subsidies with complete documentation, or other documents as required by counsel to Housing New Mexico.

VI. Long Term Compliance and Asset Management

- A. Housing New Mexico will house and service New Mexico Preservation Loan Fund loans.
- B. Housing New Mexico's Servicing department will proceed with loan servicing.
- C. Housing New Mexico's Asset Management department will monitor each project for long-term compliance with the use restrictions.

VII. Reporting: Policy and Planning will update reports with preservation awards annually for NMPLF detailing the funds that have been committed, the loans that have been made, the loan payment status, and any other information required.

Exhibit A – NMPLF Rehabilitation Initiative Application Ranking Criteria

	Threshold Criteria	Self Score (Y/N)	HNM Score (Y/N)
1	Compliance Check Project is in compliance with Housing New Mexico’s Asset Management department OR Project is not a Housing New Mexico monitored project		
	Ranking Criteria	Self Score	HNM Score
1	Extended Affordability - Maximum points: 12 Agreement to an affordability period above minimum required in NMPLF Policy (Table 1). <ul style="list-style-type: none"> • 5 years above minimum=8 points • 10 years above minimum=10 points • 15+ years above minimum=12 points 		
2	Risk Level – Maximum points: 36 Demonstration of risk of the property exiting the affordable housing stock. <ul style="list-style-type: none"> • Within 3 years of end of affordability period as defined in property’s LURA or other regulatory agreement (calculated from estimated date of award)=12 points • Age of property (calculated from original construction date, placed-in-service date, or date of occupancy, whichever occurred first): <ul style="list-style-type: none"> ○ 15-29 years=3 points ○ 30-34 years=8 points ○ 35+ years=12 points • Property is eligible for the right to a Qualified Contract=12 points 		
3	Project Size – Maximum points: 12 Project contains: <ul style="list-style-type: none"> • 76+ units=3 points • 51-75 units=6 points • 50 units or less=12 points 		
	Total Possible Points = 60		

Exhibit B – NMPLF Acquisition Initiative Application Ranking Criteria

	Threshold Criteria	Self Score (Y/N)	HNM Score (Y/N)
1	Reasonable Risk Demonstration Project is considered at risk of loss from the affordable stock due to proximity to affordability period expiration, current owner pursual of qualified contract, or other cause that can be relieved through acquisition. Risk assessment performed at Housing New Mexico’s discretion.		
	Ranking Criteria	Self Score	HNM Score
1	Extended Affordability - Maximum points: 12 Agreement to an affordability period above minimum required in NMPLF Policy (Table 1). <ul style="list-style-type: none"> • 5 years above minimum=8 points • 10 years above minimum=10 points • 15+ years above minimum=12 points 		
2	Risk Level – Maximum points: 36 Demonstration of risk of the property exiting the affordable housing stock. <ul style="list-style-type: none"> • Within 3 years of end of affordability period as defined in property’s LURA or other regulatory agreement (calculated from estimated date of award) = 12 points • Age of property (calculated from original construction date, placed-in-service date, or date of occupancy, whichever occurred first): <ul style="list-style-type: none"> ○ 15-29 years=3 points ○ 30-34 years=8 points ○ 35+ years=12 points • Property is eligible for the right to a Qualified Contract=12 points 		
3	Project Size – Maximum points: 12 Project contains: <ul style="list-style-type: none"> • 76+ units=3 points • 51-75 units=6 points • 50 units or less=12 points 		
	Total Possible Points = 60		

Exhibit C – NMPLF Housing Authority Initiative Application Ranking Criteria

	Threshold Criteria	Self Score (Y/N)	HNM Score (Y/N)
1	Reasonable Risk Demonstration Existing Public Housing portfolio at-risk requiring rehabilitation. Requires repairs or renovations to an existing structure or replacement of existing amenities including changes that contribute to the preservation of the property by extending structural longevity and promoting long-term utility.		
	Ranking Criteria	Self Score	HNM Score
1	Extended Affordability - Maximum points: 12 Agreement to an affordability period above minimum required in NMPLF Policy (Table 1). Housing Authority must provide a demonstration of long-term affordability. <ul style="list-style-type: none"> • 5 years above minimum=8 points • 10 years above minimum=10 points • 15+ years above minimum=12 points 		
2	Safeguard Long-Term Rental Assistance – Maximum points: 30 Demonstration of risk of the property exiting the affordable housing stock. <ul style="list-style-type: none"> • Renew existing project based Section 8 = 5 points • Convert to RAD = 5 points • Obtain tenant protection vouchers for non-assisted residents = 5 points • Obtain project based voucher contracts = 5 points • Affordable rents for non-assisted tenants = 5 points • Collaborate with local nonprofit organizations and other public entities to enhance long-term funding stability and community investment = 5 points 		
3	Structural Longevity/Longterm Utility – Maximum points: 20 Demonstration of repair, renovations, or rehabilitation. Each category items are one point. <ul style="list-style-type: none"> • List sustainable building materials (must be high quality, durable materials i.e. resistance to decay, corrosion, and environmental degradation.) = 5 points • List universal design principles for all residents including elderly, disability, flexibility or evolving needs = 5 points • List rehabilitation steps to ensure buildings remain functional, safe, and sustainable (must include low maintenance needs for longevity and improve lifespan.) = 5 points • List energy efficiency with designs and systems (must be sustainable and cost effective i.e. insulation, renewable energy sources, HVAC, smart systems, appliances, advanced electrical, lighting, or plumbing technology.) = 5 points 		
	Total Possible Points = 62		