MFA
Housing New Mexico

New Mexico Low Income Housing Tax Credit 2022 Qualified Allocation Plan Training

October 25, 2021

MFA 2022 Qualified Allocation Plan

Training Workshop – October 25, 2021

1. Tax Credit Program Overview
2. 2021 Round Results
3. Tax Credit Monitoring & Compliance
4. 2022 QAP Review
5. 2022 Application Process
6. Other MFA Sources of Funds
7. Environmental Review Process
8. Q & A

Low-Income Housing Tax Credits

- Internal Revenue Service program created by Tax Reform Act of 1986 to provide alternative funding for low- and moderate-income households
- Program is administered by the US Treasury Department
- Credits are allocated by a designated Housing Credit Agency through a Qualified Allocation Plan (QAP)
- In New Mexico, the program is administered by New Mexico Mortgage Finance Agency (MFA)
- QAP has Code-required elements and priorities, and others that are left to the state
- Credit is a dollar-for-dollar tax reduction for 10 years
- Credit amount is based on the cost of acquiring, constructing or rehabilitating housing developments

Low-Income Housing Tax Credits

- Investors purchase credits to offset federal tax liability
- Equity from the sale of credits reduces debt, resulting in lower rents
- Both 9% and 4% credits available
- 4% credits are "as of right" with the use of tax-exempt bonds
- 9% credits are competitive
- For 9% LIHTC, states receive a finite allocation of tax credits each year, allocated on a per capita basis (approx. $5-6M per year in NM)

Low-Income Housing Tax Credit Process

Allocation	Tax credits are allocated to the designated Allocation Agency on a per-capita basis	$5.9 million allocated to NM in 2021
Awards	Credits are awarded to proposed development projects through a competitive process, outlined by the Qualified Allocation Plan.	Ex. Project A: $1,000,000 in credits awarded.
Equity Produced	Projects “sell” 10-years’ worth of credits to investor looking to offset tax liability (around 88 cents per dollar of credit), producing around 70% of the total development costs.	Ex. Project A: $1,000,000 x 10 years = $10,000,000 in total credits $10,000,000 x $0.88 = $8,800,000 in equity produced
Compliance	While the investor takes credits annually for only the first 10 years, credits can be recaptured if the project is not in compliance for 15 years. Additional, extended compliance periods range from 15-20 more years, following the initial 15 years.	

Affordability Commitment

30-year Affordability Commitment per Code

- 15-year Compliance Period
- At least 15-year Extended Use Period

Land Use Restriction Agreement (LURA) - extended use agreement

Early termination of 30-year affordability commitment:

- Foreclosure
- Qualified Contract (no longer an option in NM)

Income and Rent Restrictions

Minimum Set-Aside election of:

- 20% of units at 50% of area median income (AMI) (Requires that all restricted units be at 50% AMI or below to be eligible for credits), or
- 40% of units at 60% of AMI, or
- Average Income set-aside - Residents in rent/income restricted units can earn no more than 80% of AMI as long as at least 40% of the total units are rent/income restricted with the average income limits for restricted units at or below 60%.

Eligible & Qualified Basis

Eligible Basis: Depreciable basis of residential rental housing eligible for tax credits.

- 70% Eligible Basis (9% Tax Credits) for new construction or rehabilitation costs.
- 30% Eligible Basis (4% Tax Credits) for acquisition costs and projects with federal subsidy.
- Exclusions - federal grants, land acquisition cost, commercial costs, syndication costs, reserves, etc.

Qualified Basis: Adjust eligible basis for non-income qualified resident using “Applicable Fraction”.

Applicable Fraction

- The percentage of the project that is dedicated to low-income use
- Lesser percentage of Low-Income Floor Space or Units
- Exempted employee units are excluded from calculation

	Floor Space		Unit Fraction
Total Residential Floor Space	79,200	Total Residential Units	72
Low-Income Units Floor Space	66,000	Low-Income Units	58
Percent Low-Income	83.33%	Percent Low-Income	80.56%

Applicable Fraction

- The percentage of the project that is dedicated to low income use
- Lesser of percentage of Low-Income Floor Space or Units
- Exempted employee units are excluded from calculation

	Floor Space		Unit Fraction
Total Residential Floor Space	79,200	Total Residential Units	72
Low-Income Units Floor Space	66,000	Low-Income Units	58
Percent Low-Income	83.33%	Percent Low-Income	80.56%

Low-Income Housing Tax Credits
Basis

Non-eligible basis costs

- Land
- Off-site work
- Interest payable on permanent loans
- Insurance and property tax expenses incurred following construction completion
- Application fees
- Origination/discount points
- Title fees
- Legal fees
- Reserves
- Syndication fees
- Federal grants
- Post-construction working capital

Eligible basis costs

- Construction costs on-site
- Professional fees
- Construction period financing fees
- Developer and consultant fees

Low-Income Housing Tax Credits
Rates

	New Construction	Acquisition/ Rehabilitation
Not “Federally Subsidized” (not using volume-cap bond debt)	9%	4%/9%
“Federally Subsidized” volume-cap bond debt	4%	4%/4%

Tax-Exempt Bonds and 4% Credits

- Projects financed (whether new construction or rehab) by volume cap bonds are eligible for 4% credits only.
- Not subject to MFA's rigorous tax credit "round" but still must follow QAP and application requirements.
- Rolling applications.
- Not subject to carryover allocation and 10% test requirements.
- 50% test: bond amount must exceed 50% of depreciable basis plus land.

Tax-Exempt Bonds and 4% Credits

Bond deals are subject to additional rules regarding the tax-exempt status of the bonds:

- Requires allocation of State private activity bond volume cap.
- Public hearing or "TEFRA" requirement - must conduct a public hearing and provide notice by publishing 14 days prior to the hearing.
- Inducement Resolution and Bond Resolution
- Costs of issuance limitation
- Good costs vs. bad costs

4% Acquisition Credits

- The 4% acquisition credit is used when an owner purchases an existing building that qualifies as a substantial rehab and satisfies the 10-year rule (if applicable).
- “Basis boost” is not available for acquisition credits (more later on boost)
- Computing acquisition basis - cost of building including acquisition-related costs
- If not 100% low income, only low income percentage of cost can qualify

Low-Income Housing Tax Credits Boost

30% increase ("boost") to eligible basis for new construction and rehabilitation costs only (acquisition costs not eligible).

Not "Federally Subsidized" (not using volume-cap bond debt)	**HUD designated QCT, DDA or SADDA** ***OR*** **those that serve a target population and have a need for financial feasibility (up to 30%)**
"Federally Subsidized" volume-cap bond debt	**HUD designated QCT, DDA or SADDA**

Limited Partner Structure

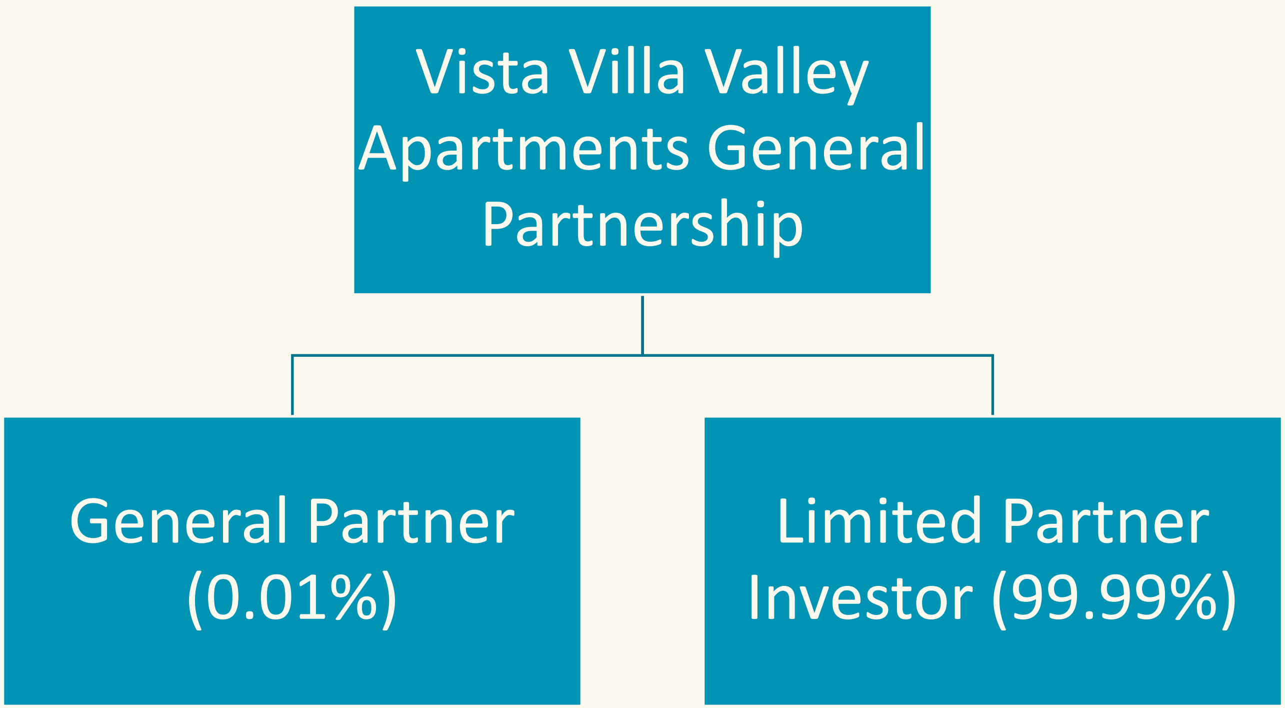
General Partner (GP) owns just 0.01% but controls and operates the project;

Passive limited partner (LP) invests equity in return for 99.99% ownership;

Sale to investor LP of most of Credits and tax losses maximizes investor equity;

More investor equity reduces other financing needs.

Limited Partner Structure



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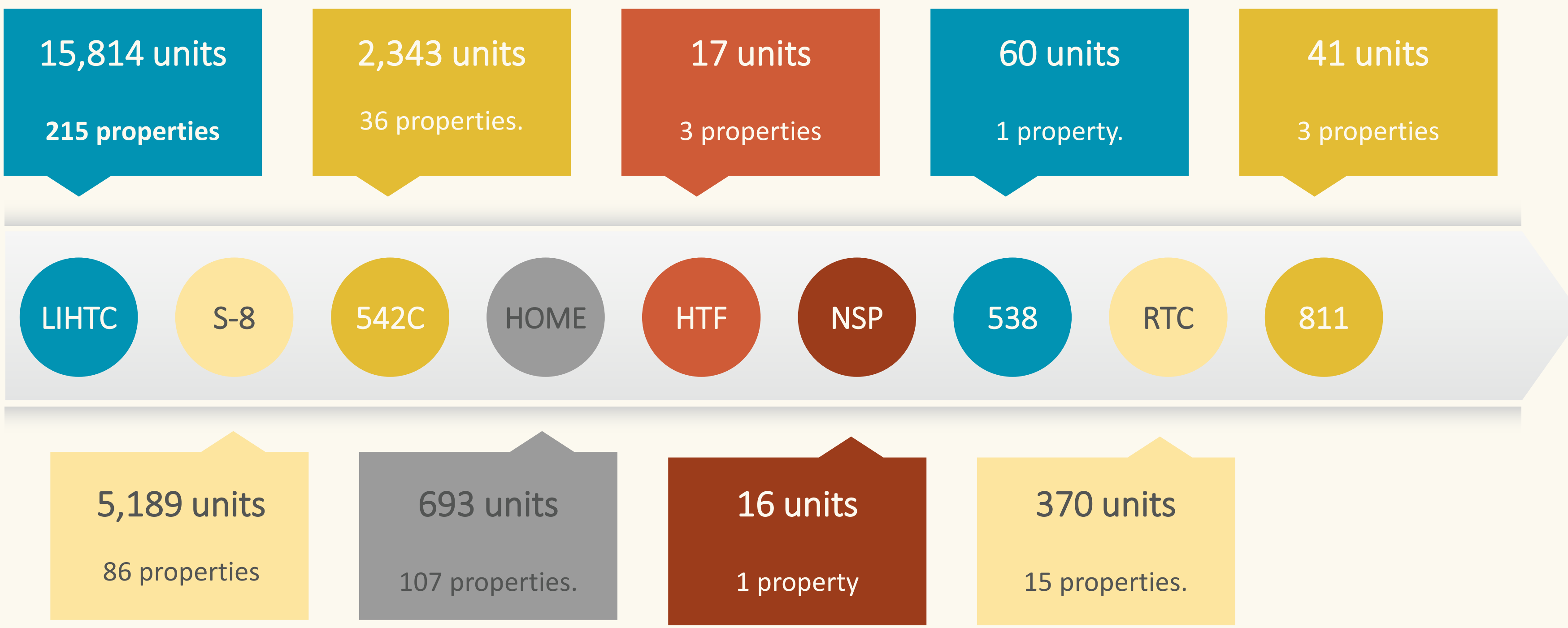
Compliance Monitoring

MFA's asset management department is responsible for compliance audits and physical site inspections for more than 300 properties totaling over 19,000 units throughout New Mexico.

The asset management department is committed to working with and providing training to property owners, management agents and property managers, to ensure the successful operation of properties.



Monitoring Schedule

LIHTC/TCAP	HOME/HTF	542(c) Risk Sharing	TCEP/RTC/ USDA 538/NSP
ON SITE: within one year of date of last building placed in service, then once every three years. If non-compliance issues are severe then visits could be every year until non-compliance is corrected.	ON SITE: The on-site inspections must occur within 12 months after project completion and at least once every 3 years thereafter during the period of affordability. The participating jurisdiction may adopt a more frequent inspection schedule for noncompliant properties.	ON SITE: within one year of the loan closing, then Annually. REAC: frequency of re-inspection based upon score. From every three years to annually.	ON SITE: Annually.

Utility allowance methods

Properties with tenant paid utilities must evaluate utility allowances schedules annually using an acceptable method chosen by the owner/agent.

Acceptable methods to calculate utility allowances:

HUD UTILITY SCHEDULE MODEL

MULTIFAMILY HOUSING

UTILITY COMPANY ESTIMATE

ENERGY CONSUMPTION MODEL

PUBLIC HOUSING AUTHORITY SCHEDULE

Properties with HOME/HTF funds cannot use this method

Compliance Monitoring

On-site compliance review

At least 20 percent of the tenant files will be selected by MFA at random. The tenant file review will cover an evaluation of utility allowance schedules and respective implementation deadlines; comparison of rents charged and allowable set aside maximums; and evaluation of household income and the applicable set aside income limit.

On-site physical inspection

At least 20 percent of the units will be selected by MFA at random. Compliance monitoring regulations published January 14, 2000, require housing credit agencies to conduct physical inspections consistent with standards governed by HUD's Uniform Physical Conditions Standards

Annual reporting requirements

- The project owner shall provide MFA with a Certification of Continuing Program Compliance annually on or before March 31st.
- The project owner must submit to MFA annual audited property financial statements, within 120 days of fiscal year end, through MFA's compliance online system, WCMS.
- Electronic data via Next Gen: On a monthly basis, the project owner must provide TICs and property vacancy data.
- Annual vacancy reporting: The project owner must submit to MFA a vacancy report, by month, for the previous year, annually on or before March 31st.

Annual compliance fees

Compliance fees are due in MFA's office by January 31 of each year. Owners will be notified once, or one time, of past due compliance fees. They will then have 30 days to submit payment. If payment is not submitted, MFA will send a Notice of Noncompliance (IRS Form 8823) to the Internal Revenue Service.

- $50 per qualifying tax credit unit

Compliance Monitoring

Housing Priority Requirements

Housing priorities & enrichment services	▪ Enforced throughout the affordability period ▪ Must not allow for more than a 30-day gap in services ▪ Documentation confirming compliance with the LURA requirements must be maintained throughout the affordability period
Special needs housing priority	▪ Must have a plan or a policy explaining how units will be marketed ▪ Documentation that special needs housing units were not rented by the owner/agent for at least 30 days until the required threshold is met ▪ MOU with any service providers
Enrichment services	Documentation to confirm compliance with enrichment services of the LURA ▪ Date, time and location of event ▪ Newsletters, flyers or brochures advertising scheduled events ▪ Sign in log of attendees ▪ Provider information
Service coordination	▪ Service Coordinator must be in addition to the property manager and property management staff ▪ Annual operating budget must be sufficient to cover costs ▪ Annual survey must be conducted and documented regarding satisfaction or dissatisfaction ▪ Annual certification must be provided by the owner of – Number of hours on site – Number of residents served

Additional Functions

Service Enrichment LURA Modifications
In conjunction with the housing development department, asset management will review requests to modify service enrichment changes subsequent to the initial selection at application.

Lease up meeting
In conjunction with the housing development department, a representative will be available at the lease up meeting to answer questions and provide information.

Approval of Employee units
After initial application should a need for an employee unit to be added, written requests from owner/agents can be submitted to the asset management department for Review and approval.

Review of Affirmative Fair Housing Marketing Plans (Risk Share, HOME, NHTF, TCEP. NSP)
LIHTC projects with additional affordable layers may require an approved marketing plan. Plans can be submitted to the asset management department for review, approval and on-going compliance monitoring.

Reserve for Replacement Requests (Risk Share)
Risk Share projects require a reserve held for capital replacement. Requests for eligible expenditures can be submitted to the asset management department for review and approval. The next site inspection will confirm repair and replacement of items paid by the reserve.

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Qualified Allocation Plan

- The QAP is the State of NM's plan for allocating its tax credits.
- It is prepared annually, consistent with IRC §42(m).
- Approval Process – Approved by Governor.

http://www.housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds

Don't forget about the FAQ's as these are incorporated into the 2022 QAP by reference.

Nonprofit Set Aside

Ten percent (10%) of the Annual Credit Ceiling will be set aside for Qualified Nonprofit Organization Eligible projects.

- 501(c)3, 501(c)4, or exempt from tax under Section 501(a)
- This set-aside is funded first
- Complete the information on Tab 2 – Page 8

SECTION VII: Nonprofit Determination

(Federal Tax Credit, HOME, NHTF, and NMHTF Projects Only)

If this project is to be considered for the Nonprofit Set-Aside, or for additional points for nonprofit participation, the following must be complete. To qualify for the nonprofit set-aside, the applicant must materially participate in the development and operation of the project throughout the compliance period. Within the meaning of IRC 469(h), "a (nonprofit) shall be treated as materially participating in an activity only if the (nonprofit) owns an interest in the project and is involved in the development and operation of the project on a basis which is regular, continuous or substantial."

Nonprofit name:		E.I.N.:	
Street address:		Telephone	
City:	State:	Zip code:	
Contact person:		Email:	

Exemption Type:

Exempt purposes includes fostering of Low-Income Housing:

Will the nonprofit hold a 51% or greater interest in the General Partner (if partnership) or in the managing member (if LLC) and receive at least 10% of the developer fee?

SECTION VII: Nonprofit Determination (Continued)

Describe the nonprofit's participation in the development, operation, and/or management of the project:

Underserved Populations Set Aside

Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations. The Application must indicate the desire for the Project to participate in the Underserved Populations set-aside, otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round.

- Permanent Supportive Housing (PSH) Projects
- Tribal Projects

Underserved Populations Set Aside

- Indicate desire for the Project to participate in the Underserved Populations set-aside by:
- Checking the applicable box on Tab 1a

Underserved Populations Set Aside Requirements (if requesting LIHTC allocation through the set aside)			
☐	**Permanent Supportive Housing (PSH)**		
15c	PSH Certification of Quality		
☐	**Tribal Projects**		
15d	Map showing Project is located within a Tribal Trust Lands boundary		

- And:
  - Including the PSH Certification of Quality at Tab 15c or:
  - Insert a map showing the Project is located within a Tribal Trust Lands boundary at Tab 15d

Permanent Supportive Housing

- Must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.
- All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
- PSH Units have no time limits on occupancy,
- PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units*,
- PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
- PSH Units must cover 25% or more of the total Unit count, and
- Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.

*All Projects will be required to submit a PSH Commitment to Quality checklist with the Application and annually following the award.

Threshold Requirements

All Applications must meet each of the following and include all required materials:

- Site Control
- Zoning
- Applicant Eligibility
- Financial Feasibility
- Fees
- Market Study
- Pre-Application Requirements

Threshold: Site Control

- Fully executed purchase contract or option
- Written governmental commitment to transfer property by deed or lease
- Recorded deed or long-term lease

Transfer Commitment must:

- Provide an initial term* lasting until at least June 30, 2022;
- Be binding on seller through initial term; and
- Have names, legal description, and acquisition cost that match application.

*Initial term must not be conditioned upon any extensions requiring seller consent, additional payments or financing approval.

Threshold: Fees

All fees owed to MFA for all tax credit projects in which principal(s) participate must be current.

- 2022 Fees
- Application fee $750 or $1,500
- Deposit of $10,000
- Processing fee* of 7.75%
- $50/unit monitoring fee, due annually
- Income Averaging projects may be subject to increased monitoring fee

*Applicable if a reservation or final determination is received

Threshold: Applicant Eligibility

All members of the development team of the proposed project must:

- Be in good standing with MFA and all other state and federal affordable housing agencies; and
- Sign an affidavit affirming no related party relationships or relationships are properly disclosed.

Threshold: Financial Feasibility

Applications must demonstrate, in MFA's reasonable judgment, the project's financial feasibility.

QAP Section IV.C.2, Section IV.D, and Section IV.E. summarize MFA's financial feasibility considerations.

Additional Underwriting Details in the Initial Application Underwriting Supplement.

Threshold: Market Study

Applications must contain a market study that meets the following criteria:

- Was completed by a vendor meeting the requirements agreed upon in the Market Study Professional Certification document
- Follows the methodologies identified in the Market Study Parameters
- Has been issued no earlier than 180 days prior to the Application submission
- The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income at each income strata proposed
- The overall Capture Rate for a Project must not exceed 10% (except Tribal and Senior Projects)

Cost Limits

Based on average per unit and per square footage cost of new construction and adaptive re-use projects submitted in the round.

Purchase price attributed to land; costs related to commercial space, and reserves are excluded.

Per project maximum Tax Credit award is $1,380,213 and any entity (including affiliates) may not receive more than 2 awards.

Threshold: Pre-Application

- MFA encourages all applicants for LIHTC to meet with staff prior to submission.
- Both 4% and 9% credit applicants must submit an “Intent to Submit a Tax Credit Application and Development Synopsis”

Minimum Project Score

- 9% projects need a minimum score of 53 points;
- Partial points will not be awarded;
- Applicant self-scores application; MFA scores application;
- Scoring criteria and information needed to obtain points in QAP and checklist;
- Deficiency correction used only to address incomplete applications or forms, obtain clarifications, or correct certain correctable threshold items – never scoring or allocation set-aside requirements.

Scoring Criteria

Criterion 1: Nonprofit, New Mexico Housing Authority (NMHA), Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority Participation (THA) participation (5 or 10 points)

- Tier 1 or Tier 2 requirements in application and checklist must be provided for points
- Requirement for points different than requirements for set-aside
- Net worth/net assets must be substantiated by reviewed or audited financial statements
- Document fee split agreement among parties
- Entity required to attend most recent QAP training
- Indicate on checklist if submitting as a qualified nonprofit, NMHA, TDHE or THA

Scoring Criteria

Criterion 2: Locational Efficiency (up to 6 points)

- Projects located in proximity and connected to:

1) services and/or 2) public transportation (new option for proximity to frequent transportation stops)

Criterion 3: Rehabilitation Projects (up to 5 points)

- To be eligible for points, must meet 20-year requirement (limited exception)
- Scope of work required at Application
- Cost thresholds for moderate/substantial rehab
- Detailed narrative + prelim relocation plan due
- Information on existing debt

Scoring Criteria

Criterion 4: Sustaining Affordability (6, 8, or 10 points)

10 points:

- Use restrictions are to expire on or before December 31, 2026;
- At imminent risk of conversion to market rate; or
- Future federal rental assistance contract covering at least 75% of all units

8 points:

- Projects that have an existing federal rental assistance contract covering at least 75% of all units or those utilizing a conversion of existing federal rental assistance

6 points:

- Projects that have/will have a federal rental assistance contract covering at least 20 percent of all units

Scoring Criteria

Criterion 5: Income Levels of Tenants
(up to 16 points)

- Point requirements based on Project election and location (urban or rural)
- For 20/50 or 40/60 election, points based on percentage of units at or below 50% AMI
- For Average Income election, points based on average income of units
- Rural projects receive same number of points for fewer units at lower incomes

Scoring Criteria

Criterion 6: Market Rate Units (2 points)

- Minimum 15% of the total units.
- *If claiming point in Criterion 6 – ineligible for points in Criterion 5.*

Criterion 7: Extended Use Period (5 points)

- Maximum points for 35-year Extended Use Period.

Scoring Criteria

All three priorities, special housing needs, senior housing and households with children are required to:

- Comply with Fair Housing Act requirements;
- Services must be provided throughout entire affordability period; and
- Owners may not allow for more than a 30-day gap in service.

Scoring Criteria

Criterion 8: Special Housing Needs (up to 8 points)

20% of the units reserved for special housing needs households and services provided (to be eligible at least 10% of units restricted at 30% AMI or permanent rental subsidy support)

- Threshold: Service Coordination Certification, at least 2 services + proposed budget
- Up to 8 points available for deeper services

Scoring Criteria

Criterion 9: Senior Housing (up to 10 points),

Criterion 10: Households with Children (up to 8 points)

- 80% @ 55+ or 100% @ 62+ of total units reserved for Senior Housing.
- At least 25% of the total units reserved for Households with Children.
- Points based on services provided.
- Design requirements – mandatory for points.
- On-site service coordinator – required for service points.
- The proposed project annual operating budget must include at least $2,500 for the provision of social services.
- Senior Fair Housing Certification required (see 21d of application).

Scoring Criteria

Individuals with Children – Unit Mix Calculations

Total Units	68
3/3+ bedrooms and 1.75 baths	10
2 bedrooms and 1.75 baths	50
3 bedroom % of total units	14.7%
2 bedroom % of total units	73.5%

**See Scoring Criterion 10 for unit requirements*

Scoring Criteria

Criterion 11: Leveraging Resources (up to10 points)

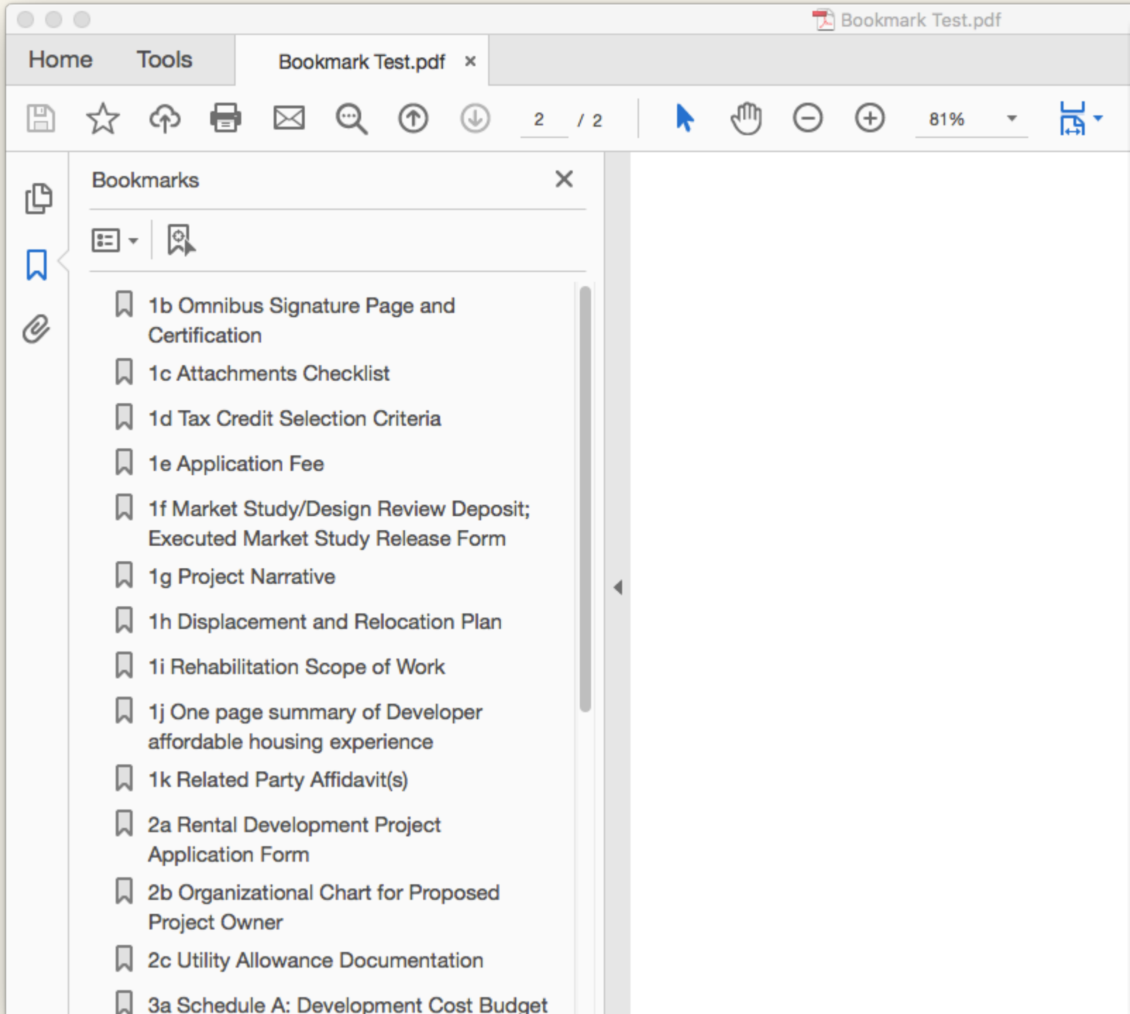
- Expanded to include GP contributions where there is no hard debt repayment requirement, deferred developer fee provided deferred fee is repaid by year 15, and MFA soft debt.
- Cash flow loans eligible contributions but cannot have hard payments.
- Other exclusions: stale contributions, non-measurable contributions.
- The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, the corresponding cost must be listed as a cost on Schedule A.

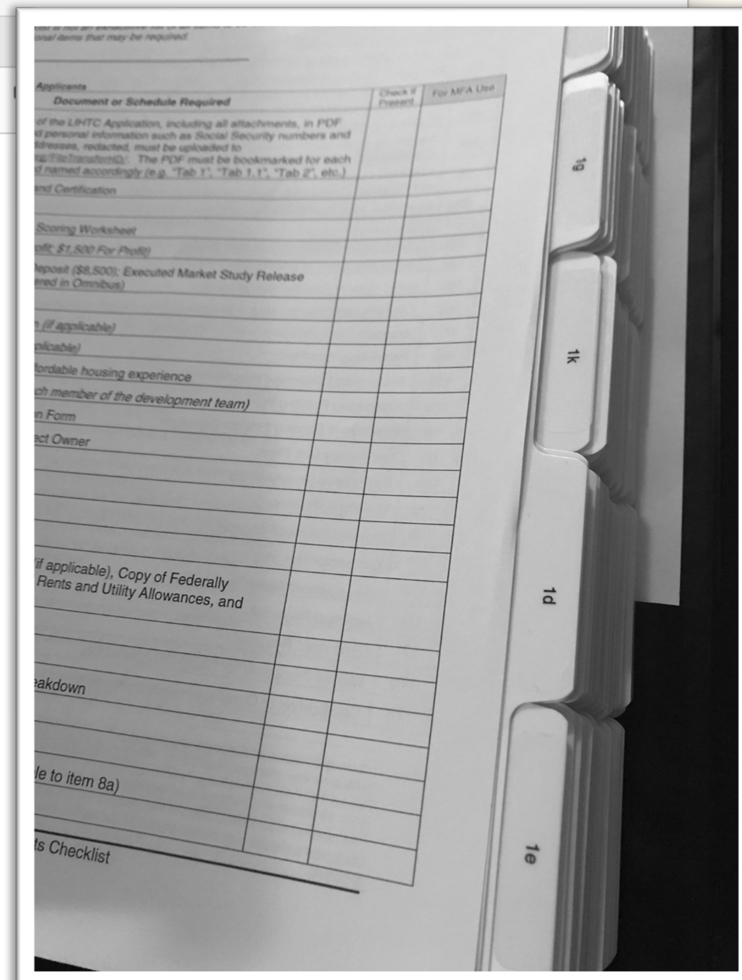
Scoring Criteria

Criterion 12: Complete Application (3 points)

- Applications that do not require any deficiency corrections. See Section IV.A.4 in the QAP:
- One omnibus signature page - signed by all General Partners in blue ink and legible scan or electronically signed using a 3rd party verified digital signature and converted to pdf
- Uploaded entire application to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD
- Current electronic application in excel and fully tabbed pdf that is redacted for PPI; each bookmark must include all documents required for the respective tab
- Do not rely solely on Application Checklist (READ THE QAP)

“Fully Tabbed”





Scoring Criteria

Criterion 13: Commitment to market units to public housing authority waiting lists (2 points)

Criterion 14: QCT/Concerted Community Revitalization Plan (3 or 5 points)

- Projects that contribute to a Concerted Community Revitalization (CCR) Plan or are located within ½ mile of a NM-designated Main Street area or State Designated New Mexico Arts and Cultural District eligible for 3 points.
- If the Project meets one of the above criteria <u>and</u> is located in a QCT, it is eligible for 5 points.
- All scattered sites need to be in the CCR/QCT and contribute to the Plan to receive applicable points.

Scoring Criteria

Criterion 15: Projects with Units Intended for Eventual Tenant Ownership (2 points)

- Cannot be combined with Extended Use Period Points
- Additional requirements for Tenant Conversion Plan

Criterion 16: Historic Significance (2 points)

Criterion 17: Blighted Buildings or Reuse of Brownfield Site (5 points)

Scoring Criteria

Criterion 18: Efficient Use of Credits
(1, 3, or 5 points)

- Scoring criterion includes projects that involve substantial rehabilitation or moderate rehabilitation.
- Scoring criterion includes adaptive reuse which is scored as if it were new construction.
- Scoring thresholds and related points vary depending on type of project (see next slide) and were increased based on inflation.

Scoring Criteria – Tribal and PSH

New Construction	<$18,485/unit	AND	<$19.10/sq.ft.	=5 Points
	<$20,333/unit	AND	<$20.95/sq.ft.	=3 Points
	<$18,485/unit	OR	<$19.10/sq.ft.	=1 Points
Substantial Rehab	<$16,175/unit	AND	<$16.70/sq.ft.	=5 Points
	<$17,793/unit	AND	<$18.34/sq.ft.	=3 Points
	<$16,175/unit	OR	<$16.70/sq.ft.	=1 Points
Moderate Rehab	<$13,863/unit	AND	<$14.33/sq.ft.	=5 Points
	<$15,250/unit	AND	<$15.71/sq.ft.	=3 Points
	<$13,863/unit	OR	<$14.33/sq.ft.	=1 Points

Scoring Criteria – Non-Tribal/PSH

New Construction	<$17,681/unit	AND	<$18.27/sq.ft.	=5 Points
	<$19,449/unit	AND	<$20.04/sq.ft.	=3 Points
	<$17,681/unit	OR	<$18.27/sq.ft.	=1 Points
Substantial Rehab	<$15,472/unit	AND	<$15.97/sq.ft.	=5 Points
	<$17,019/unit	AND	<$17.55/sq.ft.	=3 Points
	<$15,472/unit	OR	<$15.97/sq.ft.	=1 Points
Moderate Rehab	<$13,261/unit	AND	<$13.71/sq.ft.	=5 Points
	<$14,587/unit	AND	<$15.03/sq.ft.	=3 Points
	<$13,261/unit	OR	<$13.71/sq.ft.	=1 Points

Scoring Criteria

Criterion 20: Non-Smoking Properties   (4 or 6 pts)

- Smoke Free at Home program:
  - Platinum certification = 6 points (NC)
  - Gold certification = 6 points (Rehab/Adaptive Reuse)
  - Silver certification = 4 points (All project types)

Scoring Criteria

Criterion 21: Adaptive Reuse Projects (2 points)

- In combined new construction and Adaptive Reuse Projects, converted space must account for at least 20 percent of the sum of each Building's Gross Square Feet.

Criterion 22: Other Scoring Points Available (up to 9 points)

Criteria include:

- Additional deep income targeting;
- New construction, 35 units or less, no rehab;
- Located in a town with population <16,000;
- Located in a town with no "active" LIHTC projects;
- Preference for active duty, honorably discharged or retired veterans.
- Women and Minority Owned Businesses

Other Changes in the 2022 QAP

- 4% tax-exempt bond projects are no longer scored
- Market study:
  - Underwrite vacancy rate at 5% for senior and 90% Rental Assistance if supported by market study
  - Tribal and Senior projects – 10% capture rate exemption
- 811 Vouchers – 5% developer fee boost
- Quiet period includes entire development team
- Wiring funds now an option (Section IV.B)
- Contractor's Cost Certification requirements

Requirements for 4% Projects

- Serve a targeted population and meet the applicable threshold requirements for that targeting as described in Scoring Criteria 8-10 or meet the requirements for the Underserved Populations set-aside as described in Section III.D
- Platinum or Gold Smoke-Free at Home Certification
- 2022 Design Requirements (including HERS)
- Located within 2 miles of facility with fresh produce
- Market study vacancy rate in PMA of less than 10%
- Market to local PHA
- Preference for veterans in tenant selection criteria

Cost Certification

Certification by a CPA is required to certify compliance with the 10% test as defined in Section IV.G.6.a. Prior to the issuance of a LIHTC certification (IRS Form 8609), MFA will require two Cost Certifications to be prepared, one by an independent CPA and executed by both the CPA and Project Owner, and a second Cost Certification prepared and executed by the general contractor. The Cost Certification prepared and executed by the general contractor should reflect real costs to the general contractor, but those cost may not be reflected in the CPA-prepared Cost Certification if the project entered into a Maximum Guaranteed Price or Stipulated Sum Contract for example. In those cases, the owner-incurred costs should be reflected in the CPA-prepared document, regardless of the general contractor costs. The general contractor Cost Certification may not meet MFA cost requirements if a Maximum Guaranteed Price or Stipulated Sum Contract was utilized.

Cost Certification (Form A)

- MFA audit may be required
- Fully substantiate all line item balances
    - invoices, settlement statements, cancelled checks, lien release waivers
- Details how balance of each line is tabulated available
- Consistency between supporting documents and Form A

General Contractor's Cost Certification

- Not required for Stipulated Sum Contracts
- Not required for Maximum Guaranteed Price Contracts
- Actual costs incurred by the GC
- Fully completed
  - Vendor names
  - Relationship between parties
  - Invoices
  - Payroll Details
  - Cancelled Checks
  - Lien Release Waivers

Mandatory Design Standards

MFA 2022 Mandatory Design Standards for Multifamily Housing
Part A

The following Design Standards, including the MFA 2022 Submission Instructions for Preliminary Architectural Documentation for Multifamily Housing Applications, contained herein as **Part B,** represent the minimum requirements for New Mexico Mortgage Finance Authority (MFA) financed rental housing and are herewith incorporated by reference into MFA's 2022 Qualified Allocation Plan (QAP). Capitalized terms are defined either herein or in the QAP.

MFA values excellence in design because well designed housing meets the needs of tenants, attracts market tenants and promotes community acceptance of housing financed by MFA. All Projects shall meet or exceed each of these standards, as well as the minimum requirements of all applicable building codes (hereinafter referred to as "Code"), regulations, and local zoning ordinances. In addition, Projects shall meet Americans with Disabilities Act (ADA) and Fair Housing Act (FHA) requirements as applicable. Depending on the funding sources and other partners' requirements, the Project may also be subject to Uniform Federal Accessibility Standards (UFAS) requirements. Projects receiving HOME funding must meet the property standards of 24 CFR 92.251. Projects receiving National Housing Trust Funds must meet the property standards of 24 CFR 93.301 (f) (1) and (2). The development team is responsible to know and meet all accessibility requirements for their Project. MFA will not be reviewing submissions with the intent to identify compliance with these various laws, codes, and ordinances governing the design of the projects. Should we find a discrepancy in a design that does not meet a law, code, or ordinance, we will, as a courtesy, inform the designer of our findings. Our review does not constitute nor represent the project's compliance with all applicable laws, codes, or ordinances; and development team members may not rely on MFA or its agents for final determination. In light of the complexity of ... some developers may find it beneficial to hire third-party

Dates to Remember

2022 Tax Credit Round:

- Applications due January 28, 2022
- Awards: May 2022
- Carryover Application: November 15, 2022
- Final plan submittal: June 30, 2023
- 10% Test + Evidence of Construction Start ***and Site Control***: August 31, 2023
- Placed in Service or Final Allocation App: Nov. 15, 2024

***2023 Tax Credit Round*:**

- 2023 QAP Public Comment Period: August/Sept. 2022

See LIHTC calendar for additional dates

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Universal Underwriting Supplement

MFA 2022 Universal Multifamily Initial Underwriting Supplement

This underwriting supplement outlines the standards that MFA will use when underwriting Initial Applications submitted for consideration for 2022 LIHTC and gap funding allocations. MFA underwrites Initial 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. MFA will use the most conservative of the financing terms listed in: this underwriting supplement, the 2022 QAP (if applicable) and the proposed Project's Financing Commitment(s) or letters of interest.

General Guidelines

Awards

MFA 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.

Construction Guidelines

Builder profit, overhead and general requirements

In Projects where an "identity of interest" (as defined in this section) 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. For purposes of these calculations, see definition of construction costs in the Glossary.

Where an identity of interest exists between or among the Developer/Project Owner, builder (i.e., the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4 percent of construction costs. An identity of interest means any relationship that is based on shared family or financial ties between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors that would suggest that one entity may have control over or a financial interest in another.

Architect and Engineering Fees

The architects' fees, including design and supervision fees, and engineering fees, must
Total Development Cost. Architects' fee and engineering

Application Review

Universal Rental Development Application

- LIHTC
- HOME
- NHTF
- NMHTF
- Risk Share
- NM State Tax Credits
- Primero
- Ventana Fund

Tab 2 – Pages 1 – 8
Application Review

Indicate

- Extended Use Period
- Set-Aside Option
- Complete all areas of application

Utility Allowance

- Rent calculation – Schedule B
- Attach current documentation
- Must be approved allowance

Contact Information

- Update MFA if this changes after application
- Identify local official

Ownership Information

- To-be-formed partnerships
- Non-Profit participants

Development team

- Identity of interest
- Developer fee amount
- Attach resumes

Tab 3
Schedules

Schedule A – Development Cost Budget

- Calculations - see MFA's Universal Multifamily Underwriting Supplement
  - Construction Contingency
  - Builder Fees
  - Developer Fee
  - Operating Reserve

Construction Contingency Example

New Construction

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
5%	Minimum Owner Contingency Percentage
$319,425	Minimum Owner Contingency Dollar
$350,000	Application Contingency
$(30,575)	(Excess)/under minimum

Contingency included in construction contract will be included as a hard construction cost and will not count toward required owner construction contingency.

Builder's Profit, Overhead, General Requirements Example

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
6%	Allowed percentage for Profit
$383,310	Maximum for Profit (if no identity of interest)
$383,310	Application Profit
$0	(Excess)/under used

Same formula as above for General Requirements

$6,388,500	Construction Costs before GRT, GR, Overhead & Profit
2%	Allowed percentage for Overhead
$127,770	Maximum for Overhead
$127,770	Application Overhead
$0	(Excess)/under used

Developer Fee Calculation

9% Project Developer fees* may not exceed:

- First 30 low-income Units - $22,500 per Low Income Unit, plus
- LI Units 31-60 - $20,000
- LI Units 61+ - $17,500
- Total Developer Fee limited to lesser of:
  - $2M calculated as above or 14% TDC

*Further reduction when there is an identity of interest between buyer and seller.

Developer Fee Calculation

4% Project Developer fees may not exceed:

14% of Total Development Costs

Developer Fee Calculation

9% Project with 72 Total Units, 60 Low Income Units

$22,500	per Low Income Units 1-30
30	Low Income Units
$675,000	Plus:
$20,000	per Low Income Units 31-60
30	Low Income Units
$600,000	

$675,000 + $600,000 = $1,275,000 Developer Fee

$6,388,500	Total Development Costs
x 14%	Maximum Fee Percentage
$894,390	Maximum Developer Fee

Reserves and Expenses

Operating Expenses = Project operating expenses (excluding reserves and resident social services expenses); $4,300 to $5,800/unit;

Replacement Reserve = $250/unit/year for Senior housing (new construction only) and $300/unit/year for all other project types;

Operating Reserve = minimum of six months operating expenses (including replacement reserves and social services expenses) and all must-pay debt service.

Schedules

Schedule A-1 – Sources of Funds (Tab 3b)

- Construction and Permanent
- Deferred Fee
- Sources = Uses

Schedule B – Unit Type & Rent Summary (Tab 4a)

- Distribution of units proportionately
- Set-aside rents cannot exceed tax credit limits
- Indicate unit net square feet

Schedules

Schedule C – Operating Expense Budget (Tab 5a)

- 7% vacancy
- Maximum 6% management fee (calculated on gross income)
- Replacement Reserves – we will underwrite to at least MFA minimums

Cash Flow Projection (Tab 5b)

- Income, expense, and reserve escalators at minimum stated in underwriting supplement

Schedule D – Contractor Cost Breakdown (Tab 6a)

- Tie to Schedule A

Schedules

Schedule G - Affordable Unit Set Aside Election (Tab 8)

- Irrevocable

Schedule H – Applicant's Previous Participation (Tab 9a)

- One Schedule H for each General Partner and Developer
- Compliance Affidavit from each General Partner and Developer Principal

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Other MFA Sources of Funds

HOME Program

- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- Generally 0%-3% rate
- 2-year construction and up to 40-year permanent period

National Housing Trust Fund

- New Construction, Rehabilitation, Acquisition & Rehab, Limited Refinancing
- 0% rate
- Minimum 30-year term period

Ventana Fund

- New Construction, Rehabilitation, Acquisition & Rehab
- 2.5%-3.5% rate
- 12 to 24 months interim/construction loan

Other MFA Sources of Funds

Primero

- New Construction, Rehabilitation, Acquisition & Rehab
- 2.5% rate
- Construction only for up to 2 years

Other MFA Sources of Funds

New Mexico Housing Trust Fund

- New Construction, Rehabilitation, Acquisition & Rehab, Infrastructure
- New interest rate policy:
    - 9% LIHTC – Base interest rate of 3%*
    - 4% LIHTC – Base interest rate of 2%*
    - No LIHTC – 1% interest rate

  * 1% discount for rural, senior, tribal, permanent supportive. 1% increase if request exceeds funding limits.
- New funding limits:
    - Construction - $2,000,000
    - Permanent - $1,000,000
- 2-year construction period and up to a 30-year term

Other MFA Sources of Funds

Risk Share 542(c)

- New Construction, Rehabilitation, Acquisition & Rehab
- Up to $2,000,000 (LTV restrictions apply)
- Interest Rate: 10 Year Treasury rate + current HUD-approved total MIP* + 25 bps MFA servicing fee + 2.00%
- 2-year construction and up to 40-year permanent term period for new construction or 35-year permanent term period for rehab

NM State Tax Credit Program

Program Basics:

- Used to fund affordable housing for low to moderate income occupants
- Provides tax credits to eligible individuals and businesses that provide donations to MFA-approved affordable housing projects approved by MFA, or to the charitable trust administered by MFA
- Credits on income taxes, gross receipts taxes (GRT) and compensating taxes (excluding local option GRT imposed by a municipality or county, or the government GRT)
- Donations can include land, buildings, cash or services
- Credit is equal to up to 50% of the value of the donation (i.e. $2,000 donation = $1,000 tax credit)
- Minimum accepted donation is $200; maximum is $2,000,000

NM State Tax Credit Program

How much is available?

- Amount equal to a base rate of $1.85, adjusted annually for inflation, multiplied by the state population

How does it work?

- Once an award is approved, eligible project applicants solicit donations for the development of an eligible affordable housing project
    - includes non-profit or for-profit developers and governmental or tribal instrumentalities
- Qualified affordable housing activities include land or building acquisition, new construction, rehabilitation, weatherization, etc. for an eligible affordable housing project
- Eligible projects include single family or multifamily housing
    - Project must remain affordable for a minimum of 5 years (single family) or 10 years (multifamily)

NM State Tax Credit Program

The affordable housing tax credit is a win-win.

Example of a $1,000 contribution with a combined state and federal tax rate of 40 percent.

Your Contribution	$1,000
State tax Credit	-$500
Deduction on tax returns	-$400
Out of Pocket Cost	$100

Other MFA Sources of Funds

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Environmental Review

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The environmental review process is required for **all HUD-assisted projects** to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Not every project is subject to a full environmental review but **every project must be in compliance with** the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws.

- New Environmental Review Officer, Theresa Laredo-Garcia!
- HOME, NHTF, Risk Share, and any other federal fund source must complete environmental review before site control or execution of loan documents to avoid a choice limiting action.
- Projects with NHTF funding only must complete Environmental Provisions process before construction completion.
- Keep in mind the timing of the environmental review process. You can complete review before submission of loan application. On average a review can take up to 4 months to complete.
    - You will receive environmental review packets after Loan Award Letter is sent out.
- Training can be provided upon request by MFA. HUD Exchange website has training modules.

Environmental Review

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More Questions?

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