

RFQ: APPRAISALS OF AFFORDABLE RENTAL HOUSING PROJECTS

The New Mexico Mortgage Finance Authority (“MFA”) is requesting qualifications from appraisers interested in being placed on an approved list for the purpose of receiving requests for bids from time to time for appraisals of affordable rental housing projects. The MFA is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. § 58-18-1, et seq. (1978) for the purpose of providing affordable housing for low and moderate income New Mexico residents. MFA finances a wide array of projects throughout the state, all of which are income and rent restricted at various levels for prescribed periods of time. Projects may include elderly and special needs housing for tenant populations with specialized housing/service needs, rural, urban and Tribal Trust Land developments, as well as more typical family housing, all of which are funded by multiple sources and subsidies. MFA typically serves as a lender for these developments, and engages appraisers to perform appraisal work under numerous federal programs with varying requirements.

Qualifications

Appraisers must be currently active, MAI-designated Certified General Appraisers licensed by the State of New Mexico. A minimum of three years of experience with appraisals of federally subsidized, use restricted rental residential real estate is required. Appraisers may not have any ownership interest in, or potential conflicts of interest, with respect to any MFA financed development that is the subject of an appraisal completed pursuant to a specific MFA request. Appraisers must disclose all such potential conflicts, and may not accept assignment from MFA for any project for which the appraiser: (a) has an ownership interest, (b) has undertaken prior work engaged by any party other than MFA, or (c) is related to any principal or any member of the subject property’s development team.

Requests to become an MFA certified appraiser must include the following materials and information:

- 1) Executive Summary (not to exceed three pages) outlining key elements of the appraiser’s approach including, but not limited to: familiarity with New Mexico markets; typical time frames to complete; typical range of costs per appraisal type; number of staff, their qualifications, background knowledge, and expertise/technical capabilities.
- 2) Names and résumés for lead appraiser and key staff, highlighting subsidized rental real estate appraisal work completed for properties in the State of New Mexico since September 1, 2005. Corporate Applicants must also identify key staff who will complete the work under the Contract, and provide résumés for each individual identified.
- 3) Sample report produced for a similar assignment. Property and client names and other proprietary information may be deleted or blacked out.
- 4) Client references (minimum of three)

Appraisal Standards

Generally the scope of work involves preparation of appraisals for various projects throughout the State of New Mexico. The purpose is to provide a detailed assessment of the feasibility of the proposed project. It must address all aspects of marketability including but not limited to rent and expense comparisons, existing and proposed competing projects, vacancy, absorption, and income

levels in the targeted market area. Additionally, the appraisal should detail community profile, local industry profile, restricted rents as compared to market rents, market rate and low-income housing demand, description of the project including amenities, number of units, unit type, and unit size.

Each appraisal report must meet the following minimum requirements:

- 1) The purpose of the appraisal will be to provide an estimate of both the market value and the investment value of the property, for use in MFA's lending decisions.
- 2) Each appraisal must be addressed to the "New Mexico Mortgage Finance Authority, its successors and/or its assigns". However it may also be addressed to the Borrower, or to a construction lender or other financing source. Neither the content of the appraisal, purpose of the report or value estimate should be revealed to anyone other than MFA without written permission from MFA.
- 3) Each appraisal will be delivered in the form of a Complete, Self-Contained Narrative Appraisal or, if previously agreed with staff, a Summary Format or Limited Summary Appraisal.
- 4) Each appraisal will address the three primary valuation techniques of income capitalization, sales comparison, and replacement cost. In cases for which one or more of these methods is not appropriate, the appraiser will provide a detailed justification for omission of any technique.
- 5) The appraisal must include a certification that the appraiser is an MAI designated, Certified General Appraiser licensed in New Mexico.
- 6) The appraisal must contain a certification that it was completed in accordance with the Uniform Standards of Professional Appraisal Practice.
- 7) The appraisal must evaluate the potential impact of use restrictions under the Low Income Housing Tax Credit Program, the FHA/HFA 542(c) Multifamily Insurance Program for construction and permanent first mortgages and various other subsidy programs that will be identified in each assignment. If the Appraiser determines that there is no economic impact due to the use restrictions, then the appraisal must contain a statement to that effect, with supporting rationale.
- 8) The appraisal must meet other requirements imposed by any federal subsidy that is to be used to develop the project. For example, for 542(c) loans, appraisals must comply with the relevant requirements of HUD Handbook 4465.1 HUD Handbook 4465.1 at <http://www.hud.gov/offices/adm/hudclips/handbooks/hsg/4465.1/index.cfm>, Valuation Analysis for Project Mortgage Insurance. These specific requirements will be identified at the time of assignment, and the appraisal must then include certification(s) that the appraisal has been completed in accordance with the relevant federal rules.
- 9) Valuations should include: (a) Market Value "As Is", (b) Prospective Market Value Upon Completion of Renovations/Construction (assuming restricted rents), (c) Prospective Market Value Renovations/Construction (assuming market rents), (d) Investment Value of the Favorable Financing, and (e) Sum of Prospective Market Value with Restricted Rents and Favorable Financing.

Development of each appraisal will require the following steps:

- 1) Site Visit. The site visit by the appraiser is a critical element of the process. The appraiser's site inspection will include:
 - (i) Walking the site.
 - (ii) Photographing the site.
 - (iii) Noting site conditions (e.g., vacant, improved, type of terrain, etc.).
 - (iv) Noting any possible environmental issues (e.g., water on site, hazards, noise, contamination, etc.). In conducting this evaluation, the appraiser will contact local officials for information and review current Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps to identify the site's flood zone designation.

- 2) Local Research. At the time of the site visit, other local research must be conducted to complete the appraisal. This will include, among other things:
 - (i) Researching and noting whether the site is in an historic district. This information can be found in the Federal Register of Historic Places.
 - (ii) Noting availability and adequacy of utilities, to determine whether the site is served by public water, sewer, storm sewer, gas, electricity, and telephone service.
 - (iii) Noting the availability and adequacy of roads, public transportation, shopping, police and fire stations, schools, recreation facilities, social services, etc., as well as any other amenities adding to the convenience and desirability of the site or location.

- 3) Determining current zoning of the site. In some instances, current zoning will not allow the proposed use, and this should be noted in the report.

- 4) Reviewing Site Control. The developer must supply evidence of, and the appraiser must consider site control over the property. Site control may be in any one of the following forms:
 - (i) Deed;
 - (ii) Current option to purchase;
 - (iii) Current purchase and sales agreement; or
 - (iv) Designation to the developer by a public body.

- 5) Market Analysis. A market analysis is to be provided within the appraisal report and reviewed by MFA, unless a stand-alone market study has been completed by the Appraiser within the last 12 months for MFA. An area with high vacancy rates or extensive unsold inventories may not need the housing that is being proposed. The market needs assessment must address or provide the following:
 - (i) Description of comparable developments in the market area existing, currently under development, and planned-including a comparison of their amenities with those of the proposed project;
 - (ii) Analysis of rent levels and vacancy rates for comparable properties within the primary and secondary market areas, and rent adjustments as appropriate, to determine the market rents of the project;
 - (iii) Analysis of restricted rents and comparison to market rents;
 - (iv) Analysis of operating expenses and turnover rates, including historical trends, of comparable properties in the market area;
 - (v) Analysis of projected operating expenses; and
 - (vi) Expected market absorption of the proposed rental project, including an estimate

of the time it will take to achieve stabilized occupancy, taking into account new household growth, competing properties (existing and under construction), historical trends in comparable properties, and other factors.

6) Required Exhibits. The following exhibits will be reviewed by the appraiser:

- (i) MFA's set aside and rent requirements;
- (ii) Legal description of subject property;
- (iii) Final plans and specifications;
- (iv) Land option or last arm's length transaction; and
- (v) Other materials as needed.

Procedures

When an appraisal is requested, MFA will send out a "Bid for Appraisal of Affordable Housing" letter and discuss the project with each bidder. If the parameters are acceptable to MFA and the client, MFA will send out an "Appraisal Engagement" letter specifying the details of the assignment. Appraisals will be completed within a negotiated period stated in the engagement letter and priced according to the bid amount offered. The bidder will sign the engagement letter and return it to MFA. All payments will be made on a reimbursement basis no later than 10 days after delivery of an acceptable product.